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GLOBALISTS

THE END OF EMPIRE AND THE BIRTH OF NEOLIBERALISM

QUINN SLOBODIAN

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Harvard University Press
Cambridge, Massachusetts
London, England
2018

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Cover design: Jill Breitbarth
Cover art: Art: *Open Window*, 1917 (oil paint, mixed media & wax on panel), Juan Gris (1887–1927)/Philadelphia Museum of Art, Pennsylvania, USA/The Louise and Walter Arensberg Collection, 1950/Bridgeman Images

978-0-674-97952-9 (alk. paper)
978-0-674-91978-5 (EPUB)
978-0-674-91979-2 (MOBI)
978-0-674-91980-8 (PDF)

The Library of Congress has cataloged the printed edition as follows:

Names: Slobodian, Quinn, 1978– author.
Title: Globalists : the end of empire and the birth of neoliberalism / Quinn Slobodian.
Description: Cambridge, Massachusetts : Harvard University Press, 2018. | Includes bibliographical references and index.
Identifiers: LCCN 2017050071
Subjects: LCSH: Globalization—History—20th century. | Neoliberalism—History—20th century. | Capitalism—History—20th century.
Classification: LCC JZ1318 .S595 2018 | DDC 320.51/3—dc23
LC record available at https://lccn.loc.gov/2017050071

For M & Y

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Abbreviations

AAAA	American-African Affairs Association
ARA	American-Rhodesian Association
CAP	Common Agricultural Policy
CWL	Walter Lippmann Colloquium
ECLA	United Nations Economic Commission for Latin America
ECOSOC	United Nations Economic and Social Council
EDU	Eastern Democratic Union
EEC	European Economic Community
EFTA	European Free Trade Area
G-77	Group of 77
GATT	General Agreement on Tariffs and Trade
ICC	International Chamber of Commerce
ICIC	International Committee on Intellectual Cooperation
IIIC	International Institute for Intellectual Cooperation
ILO	International Labour Organization
IMF	International Monetary Fund
ISC	International Studies Conference
ITO	International Trade Organization
LSE	London School of Economics
MPS	Mont Pèlerin Society
NAFTA	North American Free Trade Agreement

NAM	National Association of Manufacturers
NBER	National Bureau of Economic Research
NIEO	New International Economic Order
TPRC	Trade Policy Research Centre
UCT	University of Cape Town
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Introduction

Thinking in World Orders

A nation may beget its own barbarian invaders.

—WILHELM RÖPKE, 1942

By the end of the twentieth century it was a common belief that free-market ideology had conquered the world. The importance of states was receding in the push and pull of the global economy. At the World Economic Forum at Davos in 1995, an iconic location of the era, U.S. president Bill Clinton observed that "24-hour markets can respond with blinding speed and sometimes ruthlessness."[1] Chancellor Gerhard Schröder referenced the "storms of globalization" as he announced a major reform of the welfare system in reunified Germany. The social market economy, he said, must modernize or it would "be modernized by the unchecked forces of the market."[2] Politics had moved to the passive tense. The only actor was the global economy. U.S. Federal Reserve chairman Alan Greenspan put the point most bluntly in 2007 when he declared, "It hardly makes any difference who will be the next president. The world is governed by market forces."[3] To its critics, this looked like a new empire with "globalization substituting for colonialism."[4] To its champions, it was a world in which goods and capital, if not people, flowed according to the logic of supply and demand, creating prosperity—or at least opportunity—for all.[5] This philosophy of the rule of market forces was labeled "neoliberalism" by its critics. Neoliberals, we were told, believed in global laissez-faire: self-regulating markets, shrunken states, and the reduction of all human

motivation to the one-dimensional rational self-interest of *Homo economicus.* The neoliberal globalists, it was claimed, conflated free-market capitalism with democracy and fantasized about a single world market without borders.

My narrative corrects this storyline. It shows that self-described neoliberals did not believe in self-regulating markets as autonomous entities. They did not see democracy and capitalism as synonymous. They did not see humans as motivated only by economic rationality. They sought neither the disappearance of the state nor the disappearance of borders. And they did not see the world only through the lens of the individual. In fact, the foundational neoliberal insight is comparable to that of John Maynard Keynes and Karl Polanyi: the market does not and cannot take care of itself. The core of twentieth-century neoliberal theorizing involves what they called the meta-economic or extra-economic conditions for safeguarding capitalism at the scale of the entire world. I show that the neoliberal project focused on designing institutions—not to liberate markets but to encase them, to inoculate capitalism against the threat of democracy, to create a framework to contain often-irrational human behavior, and to reorder the world after empire as a space of competing states in which borders fulfill a necessary function.

How can we make sense of neoliberalism—and can we even use that name? For years many have claimed that the term is virtually meaningless. "There is for all practical purposes, no such thing" as neoliberal theory, one scholar claimed recently.[6] In 2016, however, the International Monetary Fund (IMF), making international headlines, not only identified neoliberalism as a coherent doctrine but asked if the policy package of privatization, deregulation, and liberalization had been "oversold."[7] *Fortune* reported at the time that "even the IMF now admits neoliberalism has failed."[8] The magazine's suggestion that this was a new development was somewhat inaccurate. The policies associated with neoliberalism had been challenged—at least rhetorically—for two decades. An early expression of doubt came from Joseph Stiglitz after the Asian financial crisis of 1997.[9] World Bank chief economist from 1997 to 2000 and winner of the Nobel Memorial Prize in Economics, Stiglitz became a vocal critic of neoliberal globalization. In the late 1990s other critics declared that the unregulated global free market was "the last utopia"—and the international financial

institutions partly agreed.[10] They dropped their doctrinaire opposition to capital controls, the very subject of the 2016 *Fortune* article. The World Trade Organization (WTO) underwent a similar facelift. After protests shut down its 1999 meeting, it pivoted to emphasize the human side of globalization.

Even though the policies described as neoliberal had long been criticized, the IMF report was still significant for recognizing the label "neoliberalism." The term appeared poised for the mainstream, appearing in the *Financial Times,* the *Guardian,* and other newspapers.[11] Also in 2016, the Adam Smith Institute, founded in 1977 and a source of guidance for Margaret Thatcher, "came out as neoliberals," in their words, shedding their former moniker, "libertarian."[12] "Globalist in outlook" was one of the principles they claimed for themselves. In 2017 the director of the Walter Eucken Institute in Germany publicly defended the honor of what he called "classic neoliberalism" and its call for "a strong state standing above the interests of lobbies."[13] It seemed that for both critics and proponents "the movement that dared not speak its own name" could now be named.[14] This was a clarifying development. Labeling neoliberalism helps us to see it as one body of thought and one mode of governance among others—as a form or variety of regulation rather than its radical Other.

In the last decade, extraordinary efforts have been made to historicize neoliberalism and its prescriptions for global governance, and to transform the "political swearword" or "anti-liberal slogan" into a subject of rigorous archival research.[15] My narrative knits together two strands of scholarship that have remained strangely disconnected. The first strand is the work to trace the intellectual history of the neoliberal movement.[16] The second strand is the study of neoliberal globalist theory by social scientists, not historians. Scholars have shown that the term "neoliberalism" was coined first at the Walter Lippmann Colloquium in Paris in 1938 as a way to describe the desire of the gathered economists, sociologists, journalists, and business leaders to "renovate" liberalism.[17] As one scholar argues, one of the most defensible ways to study neoliberalism is as "an organized group of individuals exchanging ideas within a common intellectual framework."[18] Historians have focused, in particular, on the Mont Pèlerin Society, formed by F. A. Hayek and others in 1947, as a group of like-minded intellectuals and policy makers who would meet periodically to

discuss world affairs and the contemporary condition of the political cause to which they were devoted. This group was not without its internal rifts, as the works cited have shown. Apart from monetary policy and development economics, though, the question of international and global governance has been surprisingly neglected in these histories.[19] Although there were differences among these thinkers, my contention is that we can discern the broad strokes of a coherent prescription for world order in their writings and actions. Globalizing the ordoliberal principle of "thinking in orders," their project of thinking in world orders offered a set of proposals designed to defend the world economy from a democracy that became global only in the twentieth century—producing a state of affairs and a set of challenges that their predecessors, the classical liberals, could never have predicted.

The clearest-eyed academic observers of the neoliberal philosophy of global ordering have been not historians but social scientists. For the last twenty years, political scientists and sociologists have elaborated a sophisticated analysis of the neoliberal project. They have identified efforts to insulate market actors from democratic pressures in a series of institutions from the IMF and the World Bank to port authorities and central banks worldwide, including the European Central Bank, governance structures like the European Union, trade treaties like the North American Free Trade Agreement (NAFTA), and the WTO. They have also seen efforts to insulate in the expansion of international investment law designed to protect foreign investors from diverse forms of expropriation and to provide a parallel global legal system known as the transnational law merchant.[20] They have traced the emergence of an "offshore world" of tax havens and the proliferation of zones of many types, all designed to provide safe harbor for capital, free from fear of infringement by policies of progressive taxation or redistribution.[21] "Insulation of markets" is a useful metaphorical description of the aim of neoliberalism as a specific institution-building project rather than as a nebulous "logic" or "rationality." The work of social scientists in defining this insulation has been rigorous, but their history of neoliberal theory has been less so—they often give intellectuals such as Hayek and Milton Friedman only walk-on roles.[22] The ideas of such neoliberal luminaries are said to inspire or "suggest" certain forms of global and regional governance, yet we are left to wonder how this influence actually happened and where the ideas came from in the first place. The

name of Hayek, in particular, often operates as a free-floating signifier more than an index to an actual historical figure. Some label the European Union a "Hayekian federation," for example, while others call the desire to *leave* the EU a hope of "reviving Hayek's dream."[23] What exactly did thinkers like Hayek wish for, and where and when did the ideas of neoliberal globalism originate? I locate a key point of origin of neoliberal globalist thinking within the epochal shift of order that occurred at the end of empire. Decolonization, I argue, was central to the emergence of the neoliberal model of world governance.

ENCASEMENT, NOT LIBERATION

One of the obstacles to understanding neoliberals on their own terms has been an excessive reliance on a set of ideas borrowed from the Hungarian economic historian Karl Polanyi, who has become, as one scholar notes, "after Michel Foucault, probably the most popular theorist among social scientists today."[24] Across many attempts to account for neoliberal globalization, the retroactive influence of Polanyi's 1944 book *The Great Transformation* is marked. According to those who adapt Polanyi's narrative, the "market fundamentalism" of neoliberals led them to seek to "disembed" the "natural" market from society and thus realize their utopian dream of a "self-regulating market." It is noted routinely that Polanyi was actually writing about the nineteenth century, but critics often make the leap to say that this was a critique of neoliberalism before the fact. Of a piece with the Polanyian language is the idea that the goal of neoliberals is to liberate markets or set them free. The otherwise uncommon adjective "unfettered" is attached habitually to "markets" as both neoliberal goal and putative reality.[25] Against the intention of the authors of neoliberal theory, this metaphor essentializes the object of critique: the market becomes a thing capable of being liberated by agents, instead of being, as neoliberals themselves believed, a set of relationships that rely on an institutional framework.[26]

The applications of Polanyi's categories have led to key insights, and I build on the efforts of scholars since the turn of the millennium to conceive of the neoliberal project as "a simultaneous roll-back *and roll-out* of state

functions."[27] Adapting Polanyi, some scholars have even written of "embedded neoliberalism."[28] Yet if we want to understand neoliberal thought on its own terms—an essential first step of critique—we should not be misled by the notion of a self-regulating market liberated from the state. Looking at the writings of the neoliberals concerned with global order, one discovers the importance of the fact that Polanyi was their contemporary. Like him, they saw the Great Depression as evidence that the old form of capitalism was unworkable, and they set about theorizing the broader conditions required for its survival. In the words of one scholar, both Hayek and Polanyi were "concerned with socio-institutional responses to the free market."[29] In fact, Hayek developed his own idea of "free markets as socially embedded."[30] If we place too much emphasis on the category of market fundamentalism, we will fail to notice that the real focus of neoliberal proposals is not on the market per se but on redesigning states, laws, and other institutions to protect the market. Legal scholars have been clear on the increasing "legalization" or "juridicization" of world trade.[31] Focusing on Hayek and his collaborators allows us to understand this within the intellectual history of neoliberal thought.

A 2006 article in the leading neoliberal journal *Ordo* clarified that the founders of the neoliberal movement "added the syllable 'neo' " because they recognized the need to establish "the role of the state both more clearly and differently," including increased attention to the "legal-institutional framework."[32] Far from having a utopian belief in the market as operating independently of human intervention, "neoliberals … have pointed to the extra-economic conditions for a free economic system."[33] It is an inadequately acknowledged fact that the focus of both German ordoliberalism and Austrian economics is not on the economy as such but on the institutions creating a space for the economy.[34] When Hayek referred to the "self-regulating forces of the economy"—as he did, for example, in his inaugural lecture when taking up his position in Freiburg—he followed immediately with a discussion of the need for a "framework" for the economy.[35] The overwhelming focus of his work was on the problem of designing what he called, in his next book after *The Road to Serfdom,* a "constitution of liberty."[36]

"Hayek saw clearly," one scholar writes, "that the market is a social institution embedded in a great variety of institutions in which it gains

meaning."[37] Hayek himself dismissed the idea that he was calling for a "minimal state."[38] Although the shorthand phrase "strong state and free market" has its usefulness in explaining neoliberalism, how one defines strength is not self-evident.[39] One scholar has argued that it makes little sense to think of the state in quantitative rather than qualitative terms; the question of "how much" state should be replaced by "what kind" of state.[40] The chapters that follow provide an exposition through time of the neoliberal idea that markets are not natural but are products of the political construction of institutions to encase them. Markets buttress the repository of cultural values that are a necessary but not sufficient condition for markets' continued existence.

GENEVA SCHOOL, NOT CHICAGO SCHOOL

In 1983 one of Hayek's students, the leading international economic lawyer Ernst-Ulrich Petersmann, wrote, "The common starting point of the neoliberal economic theory is the insight that in any well-functioning market economy the 'invisible hand' of market competition must by necessity be complemented by the 'visible hand' of the law." He listed the well-known neoliberal schools of thought: the Freiburg School, birthplace of German ordoliberalism, and home to Walter Eucken and Franz Böhm; the Chicago School, identified with Milton Friedman, Aaron Director, Richard Posner, and others; and the Cologne School of Ludwig Müller-Armack. Then he cited a virtual unknown: the Geneva School.[41]

Who or what was the Geneva School? The following chapters present a narrative about a strain of neoliberalism that has been neglected by historians. I introduce a set of thinkers who have not been central in the English literature and reframe those like Hayek who have been. I adopt and expand the label "Geneva School" to describe a genus of neoliberal thought that stretches from the seminar rooms of fin-de-siècle Vienna to the halls of the WTO in fin-de-millennium Geneva. My goal in introducing the term is neither to invite hairsplitting about inclusion nor to litigate the roster of its members. Rather, my intention is to remedy the confusion produced when diverse thinkers are contained under the single umbrella term "neoliberal." The Geneva School offers provisional but helpful illumination of those

aspects of neoliberal thought related to world order that have remained more or less in the shadows. As proposed here, the Geneva School includes thinkers who held academic positions in Geneva, Switzerland, among them Wilhelm Röpke, Ludwig von Mises, and Michael Heilperin; those who pursued or presented key research there, including Hayek, Lionel Robbins, and Gottfried Haberler; and those who worked at the General Agreement on Tariffs and Trade (GATT), such as Jan Tumlir, Frieder Roessler, and Petersmann himself. Although they shared affinities with the Freiburg School, Geneva School neoliberals transposed the ordoliberal idea of "the economic constitution"—or the totality of rules governing economic life—to the scale beyond the nation.

The distinct contributions of the Geneva School to neoliberal thought are often neglected in English-language discussions. Most histories of the neoliberal movement begin in continental Europe with the meetings in the 1930s and 1940s but shift their gaze to the United States and Great Britain ahead of the neoliberal breakthrough of Reagan and Thatcher in the 1980s. This shift is accompanied by a pointed focus on the Chicago School, and Friedman in particular. Even though some welcome attention is now being given to the field of law and economics and the public choice theory of James M. Buchanan and others of the Virginia School, the overall tendency has been toward an understanding of neoliberal thought that tilts toward the Anglo-American side.[42] What this misses is the importance of the contributions of those who remained in continental Europe or who, like Hayek, returned to Europe. Correcting this elision is critical because it was the European neoliberals who were most attentive to questions of international order.

My narrative presents a vision of neoliberal globalism viewed from Central Europe, because it was Central European neoliberals who most consistently looked at the world as a whole. Both Chicago School and Virginia School thinkers exhibited the peculiarly American quality of ignoring the rest of the world while assuming that America was a working model of it.[43] European neoliberals did not have this luxury, as they existed for most of the century under the influence of varying levels of U.S. hegemony. It made sense that Central European neoliberals were precocious theorists of world order. Their countries did not enjoy a vast domestic market like that of the United States, so they were forced to be more

attentive to the question of access to the world market through either trade or annexation. The early end of empire in Central Europe after the First World War also required them to contemplate strategies for balancing state power with economic interdependence. Although the story begins in Vienna, the Swiss city on the lake, Geneva—eventually the home of the WTO—became the spiritual capital of the group of thinkers who sought to solve the riddle of postimperial order.

Most historians would claim that the question of world order had been more or less settled early in the century in favor of the idea of national self-determination offered by both Vladimir Lenin and Woodrow Wilson and demanded by anticolonial actors worldwide. In that view, the principle of self-determination, thwarted at Versailles by the unwillingness of the United States and European empires to live up to their own rhetoric, and waylaid by the fascist expansionism of Italy and Germany and later the Soviet control over its satellite states, eventually triumphed with the wave of decolonization after the Second World War and, most recently, with the end of apartheid in South Africa and Soviet rule in Eastern Europe. Geneva School neoliberals disagreed with this narrative. To their mind, commitments to national sovereignty and autonomy were dangerous if taken seriously. They were stalwart critics of national sovereignty, believing that after empire, nations must remain embedded in an international institutional order that safeguarded capital and protected its right to move throughout the world. The cardinal sin of the twentieth century was the belief in unfettered national independence, and the neoliberal world order required enforceable isonomy—or "same law," as Hayek would later call it—against the illusion of autonomy, or "own law."

Geneva School neoliberals reconciled the tension between the world economy and the world of nations through their own distinct geography. Their global imaginary was sketched by the erstwhile Nazi jurist Carl Schmitt in 1950. Schmitt proposed that there was not one world but two. One was the world partitioned into bounded, territorial states where governments ruled over human beings. This he called the world of *imperium,* using the Roman legal term. The other was the world of property, where people owned things, money, and land scattered across the earth. This was the world of *dominium.* The doubled world of modern capitalism coalesced in the nineteenth century. The ubiquity of foreign investment had

made it routine for people to own all or part of enterprises in countries where they were not citizens and had never even set foot. Money worked almost anywhere and could be exchanged into and out of major currencies at the fixed rates of the gold standard. Contracts were enforced universally by written and unwritten codes of business conduct. Even military occupation did not affect private property. Unlike earlier eras of plunder, the land or business was still yours after the enemy army had swept through. To Schmitt, the division between dominium and imperium was more fundamental than the purely political distinction of foreign and domestic. The most important border did not halve the world like an orange into East and West, or North and South, but preserved overlapping wholes in suspension, like an orange's pith and peel. "Over, under and beside the state-political borders of what appeared to be a purely political international law between states," he wrote, "spread a free, i.e. non-state sphere of economy permeating everything: a global economy."[44]

Schmitt meant the doubled world as something negative, an impingement on the full exercise of national sovereignty. But neoliberals felt he had offered the best description of the world they wanted to conserve. Wilhelm Röpke, who taught in Geneva for nearly thirty years, believed that exactly this division would be the basis for a liberal world order. The ideal neoliberal order would maintain the balance between the two global spheres through an enforceable world law, creating a "minimum of constitutional order" and a "separation of the state-public sphere from the private domain."[45] In a lecture he delivered at the Academy of International Law at The Hague in 1955, Röpke emphasized the importance of the division while also pointing to its paradox. "To diminish national sovereignty is most emphatically one of the urgent needs of our time," he argued, but "the excess of sovereignty should be abolished instead of being transferred to a higher political and geographical unit."[46]

Scaling national government up to the planet, creating a global government, was no solution. The puzzle of the neoliberal century was to find the right institutions to sustain the often strained balance between the economic world and the political world. The consequences of the doubled globe for reimagining the world after empire are dismissed all too easily in narratives of modern global history as the passage from colonial subjugation to national independence. Few thinkers engaged with the

consequences of this doubled world more than the group of economists and lawyers described in these pages. Convinced from the beginning of the century that there was and could only be a single world economy, they strove to reconcile mutual economic dependency with political self-determination.

In his Hague lecture, Röpke suggested that the solution could be found in the space between economics and law.[47] As the following chapters show, from its beginnings Geneva School neoliberalism has been less a discipline of economics than a discipline of statecraft and law. More than making markets, these neoliberals have concentrated on making market enforcers. When Hayek moved from the University of Chicago to Freiburg in 1962, he became the heir of the homegrown German law-and-economics tradition of ordoliberalism, and most scholars recognize him as an ally, if not a member, of the Freiburg School.[48] His 1960 work *The Constitution of Liberty* and even more so his 1970s trilogy *Law, Legislation and Liberty* (written during his time in Freiburg) justify this designation, because he became ever more focused on finding a legal and institutional fix for the disruptive effects of democracy on market processes. Unlike the ordoliberals, who called for an "economic constitution" at the level of the nation, the Geneva School neoliberals called for an economic constitution for the world. I argue that we can understand the proposal of the Geneva School as a rethinking of ordoliberalism at the scale of the world. We might call it ordoglobalism.[49]

Geneva School neoliberals offered a blueprint for globalism based on institutions of multitiered governance that are insulated from democratic decision making and charged with maintaining the balance between the political world of imperium and the economic world of dominium. Dominium is not a space of laissez-faire or noninterventionism but is instead an object of constant maintenance, litigation, design, and care. At the core of the Geneva School imaginary was a vision for what Hayek first saw in the Habsburg Empire—a model of what he called "a double government, a cultural and an economic government."[50] Geneva School neoliberals prescribed neither an obliteration of politics by economics nor the dissolution of states into a global marketplace but a carefully structured and regulated settlement between the two.

As noted earlier, social scientists have tended to use the metaphor of insulation to describe the relationship between state and market in

neoliberalism. This tendency is ironic. As we will see, neoliberals from the 1930s to the 1970s used a geographic version of the metaphor to attack the belief in the possibility of "economic insulation," meaning a degree of self-sufficiency that would buffer nations from shocks of change in global markets. Neoliberals described this devotion to self-sufficiency as having the capacity to "destroy the universal society" and "shatter the world." With the switch to an electricity metaphor in the 1990s, though, it became a neoliberal norm. One of Hayek's successors at Freiburg wrote, "Hayek's principal argument is his call for an institutional arrangement that effectively insulates the rule-making authority from the short term demands of day-to-day government."[51] The semantic change was symptomatic of a larger transformation of world economic imagination: from thinking of the global economy in terms of islands *(insulae)* and territories to imagining it in terms of a unitary circuitry of a wired world. What is insulated now is not the end target of the shock of the price signal but the wire that transmits it. Yet even this metaphor is ultimately unsatisfying. The neoliberal goal is more absolute than the dampening implied by insulation. What neoliberals seek is not a partial but a complete protection of private capital rights, and the ability of supranational judiciary bodies like the European Court of Justice and the WTO to override national legislation that might disrupt the global rights of capital. For this reason, I propose the metaphor of *encasement* rather than mere insulation of the world economy as the imaginary telos of the neoliberal project—a project in which states play an indispensable role.

This narrative places neoliberalism in history. It traces neoliberal globalism as an intellectual project that began in the ashes of the Habsburg Empire and climaxed in the creation of the WTO. It shows that ordoglobalism was a way of living with the fact that the nation-state had become an enduring fixture of the modern world. What neoliberalism sought over the decades was an institutional encasement for the world of nations that would prevent catastrophic breaches of the boundaries between imperium and dominium. The right institutions, laws, and binding commitments would safeguard the well-being of the whole. This is not a narrative of triumph—the sputtering of the WTO is at best a pyrrhic victory for the specific strain of neoliberal globalism I describe in the following chapters. Instead the narrative shows that neoliberalism as a body of

thought clearly originated in an early twentieth-century crisis about how to organize the whole earth.

MILITANT GLOBALISM, NOT MARKET FUNDAMENTALISM

Ordoglobalism was haunted by two puzzles across the twentieth century: first, how to rely on democracy, given democracy's capacity to destroy itself; and second, how to rely on nations, given nationalism's capacity to "disintegrate the world." The first tension is familiar to students of modern Europe. It is well known that democracy can have illiberal outcomes and can even lead to its own self-annihilation by democratic means. Many, especially in Germany, believed that the experience of the period between the two world wars had taught that democracy must be limited. It must be subject to checks and restrictions that would prevent illiberal outcomes. The idea of "militant democracy" was theorized by political scientists in the 1930s and put into practice in postwar Western Europe.[52] Constitutional courts, in particular, played a key role in fending off challenges to the liberal order from left and right. Many thinkers agreed that liberal states must show what one social democratic politician called "the courage of intolerance" toward those who rejected the constitutional order.[53]

The confrontation with mass democracy was also at the heart of the century for neoliberals. On the one hand, they embraced democracy for providing a means of peaceful change and a space for evolutionary discovery beneficial to the system at large—thus proving mistaken those who describe neoliberals as opposed to democracy as such. On the other hand, democracy bore the seed of destruction for the totality. Reflecting on the challenges to the liberal order posed by the demands of a politically mobilized working class, Röpke observed in 1942 that "a nation may beget its own barbarian invaders."[54] Histories of the neoliberal movement written from the U.S. and British perspectives—as prehistories of the Thatcher and Reagan administrations—miss the specifically post-fascist context of neoliberal prescriptions for domestic and international organization.[55] In fact, neoliberals were key articulators of what Jan-Werner Müller calls "constrained democracy."[56] The tension was always between advocating democracy for peaceful change and condemning its capacity to upend order.

If historians miss the post-fascist context, they miss the postcolonial context too. It is seldom observed that Hayek first turned his efforts toward redesigning representative government—risking the charge of inconsistency by his own confession in adopting a "made" rather than a "grown" constitution—in response to the emergence of "new nations" in the wake of decolonization.[57] His model constitution was not intended, he insisted, for Britain but for both "new nations" and fascist states such as Salazar's Portugal. Speaking of new nations as well as countries in South America with political traditions "not entirely adequate" for democracy, he wrote, "I believe that limiting the powers of democracy in these new parts of the world is the only chance of preserving democracy in those parts of the world. If democracies do not limit their own powers, they will be destroyed."[58] Historians have chronically overlooked the fact that the end of global empires was essential to the emergence of neoliberalism as an intellectual movement.

Alongside the confrontation with mass democracy, the related tension between the nation and the world was equally as central for neoliberals. The nation could be useful insofar as it provided services of stabilization (which would often include restrictions to migration) and cultivated legitimacy in the political sphere. But like democracy, it also bore the risk of tipping into excess. Thus, it needed to be constrained just as democracy did. Neoliberals believed in what could be called militant globalism or, adapting Müller's term, constrained nationalism—the need for a set of institutional safeguards and legal constraints to prevent nation-states from transgressing their commitments to the world economic order. Neoliberals were proponents of an institutional framework in which the world economy would survive threats to its holistic integrity. Militant globalism would not displace national states but would work with and through them to ensure the proper functioning of the whole.

As will become clear in the following chapters, it is wrong to see neoliberals as critics of the state per se but correct to see them as perennial skeptics of the *nation*-state. In 1979 Hayek wrote, "It seems to me that in this century our attempts to create an international government capable of assuring peace have generally approached the task from the wrong end: creating large numbers of specialized authorities aiming at particular regulations rather than aiming at a true international law which would limit

the powers of national governments to harm each other."[59] He described this as the "dethronement of politics," but it is just as obviously the dethronement of the nation. Just as proponents of militant democracy perceived a need to constrain democracy, proponents of militant globalism perceived a need to constrain nation-states and set limits on their exercise of sovereignty.

Militant globalism bears resemblances to what Hermann Heller in 1933 called "authoritarian liberalism."[60] Like him, neoliberals emphasized the need to override popular decisions when they controvert what is seen as the superior principle of the order at large. Scholars have adapted Heller's term to understand the logic of the European Union.[61] An advantage of militant globalism as an explanatory category is its attention to the question of scale, which is neglected in many treatments of neoliberal thought. As the following chapters show, the world frame was not incidental to the prescriptions of many neoliberal thinkers. Nor was their vision particularly amenable to a logic of "dimensions variable." For the members of the Geneva School, who were attentive to problems of global systemic interdependence, only the world scale was enough. For them, capitalism at the global scale was the sine qua non of the normative neoliberal order.

I argue that the encasement of the market in a spirit of militant globalism is a better way of describing the international dimensions of the neoliberal project than the Polanyian terms of disembedding the economy according to a doctrine of market fundamentalism. Polanyi's ideas provide an elegant parable whereby the capitalist world economy progressively eliminates barriers to its own functioning, to the point that it destroys its own capacity for self-reproduction. In this narrative, the market is omnivorous, relentlessly transforming land, labor, and money into commodities, until the basis for social life has been destroyed. Capitalism, according to this analysis, needs an opposition to save it from itself. By confronting and absorbing challenges, from workers' insurance to the welfare state, capitalism secures the social conditions that allow it to persist.[62] As the following chapters show, an essential aspect of the project of neoliberalism was determining how to preempt the opposition by building an extra-economic framework that would secure the continued existence of capitalism. Rather than a self-regulating market and an economy that eats everything, what the neoliberals envisaged and fought for was an ongoing

settlement between imperium and dominium while pushing policies to deepen the power of competition to shape and direct human life. The normative neoliberal world is not a borderless market without states but a doubled world kept safe from mass demands for social justice and redistributive equality by the guardians of the economic constitution.

THE THREE RUPTURES OF THE NEOLIBERAL CENTURY

A neoliberal perspective on the history of the twentieth century amounts to an alternative account of the modern era. In a neoliberal history of the century, decolonization began in 1919; fascism looked promising to some until it raised tariff walls; the Cold War was secondary to the war against the Global New Deal; the end of apartheid was seen by some as a tragedy; and countries were secondary entities subordinate to the totality of the globe. It is a history where the so-called golden age of postwar capitalism was actually a dark age, governed by Keynesian delusions and misguided fantasies of global economic equality. It is about the development of a planet linked by money, information, and goods where the signature achievement of the century was not an international community, a global civil society, or the deepening of democracy, but an ever-integrating object called the world economy and the institutions designated to encase it.

The following chapters tell the story of the twentieth century through the eyes of neoliberals who did not see capitalism and democracy as mutually reinforcing but who instead faced democracy as a problem. Democracy meant successive waves of clamoring demanding masses, always threatening to push the functioning market economy off its tracks. For neoliberals, the democratic threat took many forms, from the white working class to the non-European decolonizing world. The century was marked by three ruptures, each accompanying an expansion in what German ordoliberal Walter Eucken called in 1932 “the democratization of the world.”[63] The first, and most foundational, rupture was the First World War, when nations ceased to uphold the most important condition of world trade and investment—the gold standard. The period after the war brought a crucial blurring of the division between the political and economic worlds and what neoliberals called a “politicization” of the economic, as universal

suffrage spread across the West and the new nations of East Central Europe mistook the legitimate goal of independence for the hopeless project of self-sufficiency, dissolving the former regional division of labor, which itself modeled a larger interdependence of the world.

The second rupture came with the Great Depression, beginning in 1929. The thinkers who called themselves neoliberals after 1938 saw the futility of restoring the lost unity of the world economy through academic research and the coordination of international statistical experts. Not only was the task fundamentally political, but it could *only* be political. It is well known that many of the leading figures of the neoliberal movement, including Mises, Hayek, and Haberler, began their careers as researchers of what was called the business cycle, or the patterns by which economic crises occurred at regular intervals. Less frequently observed is the turn of this group away from statistics and business cycle research by the end of the 1930s. I argue that they concluded that the world economy was sublime, beyond representation and quantification. This conclusion turned them away from the documentation and analysis of the economy as such and toward the design of institutions necessary to sustain and protect the sacrosanct space of the world economy.

Hayek began to realize in the 1930s that the dispersal of knowledge throughout an entire market economy was so complete that no individual could ever gain a functional overview of it. The shock of the 1930s brought with it the realization that the world economy was basically unknowable. Any task of reconstructing the relationship between the two worlds—of many nations and one economy—would have to be a project of redesigning the state and, increasingly after 1945, of redesigning the law. The essence of this project was multitiered governance or neoliberal federalism. In the wake of the mystification of the world economy, the Geneva School neoliberals' most important field of influence was not in economics per se but in international law and international governance.

The century's third rupture came not so much with the Second World War or the Cold War—neither of which have much of a presence in the neoliberal century—but with the revolt of the Global South in the 1970s. The oil shock of 1973–1974 placed postcolonial actors at center stage. Robust demands for economic redistribution and stabilization were enshrined in the Declaration of a New International Economic Order

championed by the world's poorer nations and passed by the UN General Assembly in 1974. Confronting both the Global South and the boom in computer-aided models of global reform in the 1970s, the Geneva School developed their own vision of a world economy without numbers—a world of information and rules. For the Geneva School, the period from the 1970s to the 1990s was about rethinking the world economy as an information processor and global institutions as the necessary calibrators of that processor. Trade rules, enforced through internationally enforceable constitutional laws, would ensure stability.

The rise of Geneva School globalism had little to do with the supposed free-market utopianism or market fundamentalism of which it is often accused. It was clear to the intellectuals of the 1930s that the choice was not between a governed nation and an ungoverned world economy. One of the surprises in the narrative I present may be to find thinkers like Hayek and Mises, who are commonly described as libertarian, speaking matter-of-factly about the need for various forms of international and even global governance. The withering away of the relative influence of national states was always to be accompanied by the corresponding strengthening of supranational institutions. The core of ordoglobalism is its own version of what Polanyi called re-embedding the market. The crucial difference between him and the neoliberals is the ends to which the market is being re-embedded. For Polanyi, it was to restore a measure of humanity and social justice. For neoliberals, it was to prevent state projects of egalitarian redistribution and secure competition, alternatively defined as the optimal functioning of the price-signaling system.

VERTICAL FIXES FOR A DISINTEGRATING WORLD

The twentieth century is commonly portrayed as the period of the triumph of neoliberalism. The century had proved neoliberals right, it seemed. All gods other than capitalism had failed. Communism had ended in spectacular dissolution. Despite their apparent victory, however, Geneva School neoliberals throughout the twentieth century were haunted by a vision of a world disintegrating. Sometimes accused of having a smug confidence in the resilience of capitalism, they instead were troubled by the possibility

that the global conditions that sustain a capitalist world economy were fundamentally under threat. The dominant emotion felt by the neoliberals at the heart of my narrative was not hubris but anxiety. They expended all of their efforts in attempting to design fixes to stabilize what they saw as a precarious arrangement.

Although I focus on a relatively small number of individuals, I do not ascribe to them a superhuman strength or causality or treat their texts as holy writ. Neoliberal thought has not mapped directly onto reality in the era since the 1980s. I do not nominate the writings of Hayek or any other thinker as a Rosetta Stone for descrying an internal logic to a necessarily complex reality. Policies and rhetorical strategies enacted since the Thatcher and Reagan victories reflect diverse forces and constituencies that must be considered individually and that resist easy generalization. I do not attempt to deliver either the final word on neoliberalism or a magic bullet theory to summarize decades of ever-morphing global capitalism.

Instead I use the biographies of Geneva School neoliberals as a way to weave through a discussion of a series of institutions that were designed to encase the global market from interference by national governments. The following chapters offer a historical field guide to these institutions, for some of which neoliberal intellectuals were the original architects, but for most of which they played the role of advocate, adopter, or adapter. Hayek's demand to "dethrone politics" was only the first part of the neoliberal fix. The second was not to enthrone the economy but to encase it and find institutional forms to enforce the division. Neoliberals repeatedly sought solutions to the problem of order in a vertical move. The fix was found, time and again, in a scale shift for governance, including in the League of Nations, international investment law, blueprints for supranational federation, systems of weighted franchise, European competition law, and ultimately the WTO itself.

Neoliberalism is sometimes described as descending from a mountaintop, the Swiss peak of Mont Pèlerin in particular. Neoliberals themselves promote the impression of a lofty intellectual detachment through their references to Alexis de Tocqueville, Immanuel Kant, J. S. Mill, and Lord Acton. As we will see, though, the neoliberal luminaries were actually involved in very practical activity—the application of economic knowledge—getting their hands dirty in advising business,

pressuring governments, drawing up charts, and gathering statistics. Across the century, neoliberals saw different bodies as potential enforcers for the world market. The following narrative begins with the period just after the First World War. Globalization talk before the Great War produced many of the tropes that still echo today. Economists spoke of the death of distance, the obsolescence of borders, the impossibility of autonomous domestic policy. That period also introduced a cluster of arguments that are central to the neoliberal imagination. The world economy was *unitary* and could not be divided meaningfully into constituent nations or empires. It was *interdependent,* because industrial nations relied on foreign markets for both raw materials and sales, and fluctuations of supply and demand were felt worldwide. It was *infrastructurally homogeneous,* comprising a material network of railroads, telegraph lines, and steamships as well as standard conventions of law, finance, and production. At the same time, it was *functionally heterogeneous,* because different regions specialized in economic activity that suited their particular endowments, producing a greater international division of labor and thus a more efficient use of the world's resources. Most importantly, the world economy had a *supranational* force, capable of overriding attempts by individual polities to influence it.

The International Chamber of Commerce (ICC) was an economically internationalist body that sought to document and propagate the idea of a single world economy. The ICC gathered international economic statistics and advocated for the removal of barriers to trade and the free movement of capital. Immediately following the First World War and the dissolution of the Habsburg and Ottoman Empires, Mises and his circle thought it looked like a good partner. Mises himself was a delegate to the ICC, and the first generation of Austrian neoliberals all worked at the Vienna Chamber of Commerce. From the beginning, the doctrine of neoliberalism reflected an intermingling with the needs of its patrons in the business community. The "world of walls" (Chapter 1) that emerged after the First World War became a counterpoint against which neoliberals imagined their open world economy.

In the 1920s the League of Nations also appeared to some of the future neoliberals as a supranational authority that might be capable of ensuring the conditions of capitalism's doubled world. Mises, Hayek, Haberler, and

Röpke helped produce the first synoptic portraits of "a world of numbers" (Chapter 2) in their cooperation with the League in Geneva. By the late 1930s, though, the core of the neoliberal movements responded to the rise of what they called economic nationalism, especially in Central Europe, by denying that the economy could be seen at all. Hayek's position that the economy could not be apprehended by the senses was inconsistent with the emerging field of macroeconomics, but it also realigned the project of neoliberalism: from talking about the economy to talking about the framework that encased it.

In the 1930s and 1940s, neoliberals devised their own schemes for large-scale order, drawing up plans for international federation in blueprints of double government that would encase the ineffable market. In place of empire, Robbins, Hayek, and Mises proposed "a world of federations" (Chapter 3).

The Bretton Woods system devised in 1944 offered scarce hope to neoliberals that it would function as a guardian of the world economy. The United Nations' solution to the end of empire—granting votes to the proliferating nations of the non-European world—threatened the balance between dominium and imperium. Working again with the ICC, neoliberals helped craft a universal investment code and bilateral investment treaties that they hoped would safeguard capital in "a world of rights" (Chapter 4).

The need to defend the world economy led some neoliberals to seemingly illiberal bedfellows. The case of Augusto Pinochet's Chile is notorious; the neoliberal relationship to apartheid South Africa is less well studied. Here we encounter a split in the Geneva School. Almost all of the neoliberals discussed here rejected race as a category of analysis, especially after 1945, but Wilhelm Röpke is conspicuous for his belief that defending the world economy meant defending Western Christian—and Caucasian—principles against what fellow neoliberal William H. Hutt called "black imperialism."[64] Röpke's postwar belief in "a world of races" (Chapter 5) was in many ways a marked detour from the mainstream of Geneva School neoliberals. Figures such as Hayek, Friedman, and Hutt also criticized the diplomatic isolation of white minority governments in Southern Africa, but for reasons closer to the concerns of this book—namely, the perils of unconstrained democracy and the need to insulate world economic order from the political demands of social justice.

Far more than the segregationist solutions of Southern Africa, the most hopeful enforcer of the economic constitution in the postwar period for Geneva School neoliberals was the European Economic Community. What came into existence with the Treaty of Rome in 1957 was a compromise with Christian democracy, agricultural interests, and socialism, but some neoliberals felt that it offered a potential model for "a world of constitutions" (Chapter 6) that could trump national sovereignty in the name of competition. The multilevel model looked like an institutional means of securing market rights.

In the 1970s, Geneva School neoliberals scaled up the example of Europe to confront the demands of the world's poorer nations for a New International Economic Order (NIEO). Building on Hayek's theories, his students and followers at the GATT constructed a countertheory to the NIEO that they hoped would prevent what they called economic decolonization from disrupting world order from the margins. Hayek's students at the GATT developed an understanding of the global economy as "a world of signals" (Chapter 7) for communicating prices for which binding constitutionalized legal frameworks were necessary to preserve conditions of predictability and stability for individual economic actors. This thinking was an important intellectual stream leading into the creation of the WTO—a crowning victory of the neoliberal project of finding an extra-economic enforcer for the world economy in the twentieth century.

When the GATT moved into the former headquarters of the International Labour Organization in 1977, they renamed the building the Centre William Rappard after the Swiss neoliberal and host of the first Mont Pèlerin Society meeting, who brought Röpke, Mises, Hayek, and Robbins to Geneva in the 1930s and 1940s. When the WTO opened in 1995, it was in this building. The long intellectual prehistory of the high point of the Geneva School of neoliberalism shows that, at its origins, neoliberalism was not only a philosophy of free markets but also a blueprint for double government in capitalism's doubled world. Covering the better part of a century as it does, my account is necessarily incomplete. It focuses on the period from the early 1920s to the early 1980s, mostly ending before the breakthrough of neoliberal policies with the governments of Reagan and Thatcher. It does not explore the worthy topics of the conversion of the IMF and World Bank to the policies that became known as the "Washington

Consensus." Similarly absent are the transformations in international monetary governance, including the rise of monetarism, the end of the Bretton Woods system, the introduction of the euro, and changes in central bank policy. This means leaving out the all-important question of finance, which was perhaps the single most important transformation in global capitalism since the 1970s. One reason for the omission is that these topics have been covered comprehensively by other authors, whose excellent work is cited in this Introduction's endnotes.[65] Other reasons are the constraints of space and my desire to tell one story with enough detail to avoid the generalizations that plague the social science literature.

The narrative offered here is a fairly contained story, presented largely through biography, about three generations of thinkers, from the Mises Circle in 1920s Vienna to the international economic lawyers of Geneva who helped theorize the WTO in the 1980s. Its focus is on the specific notion of a double government form designed to encase the respective fields of dominium and imperium. It finds the intellectual origins of neoliberal globalism in the reordering of the world that came at the end of empire and finds the historical roots of paradigms of international economic law and neoliberal constitutionalism more often covered by political scientists and sociologists than historians. Looking at the century from Geneva (rather than Chicago, Washington, or London), we see a strand of thought that held that, in order to survive, the world economy needed laws that limited the autonomy of nations. We see a version of neoliberalism where the core value is not the freedom of the individual but the interdependence of the whole.

It is important to note at the outset that none of the ideas proposed here ever reigned uncontested, and very few had the status of mainstream common sense. The success and failure of neoliberalism as a historical phenomenon cannot be explained only through close study of the writings of its best-known thinkers. I don't make a case for the success or failure of neoliberalism. But I do aim to shed light on a number of moments where neoliberal thought was translated into policy or institutional design through partnerships with politicians, bureaucrats, or businesspeople. As a political project, the many real-world effects of neoliberalism are documentable. One can write their histories. This book offers one such history by putting the neoliberal project into a broader framework than other scholars have

provided to date. All but ignored by existing histories, the questions of empire, decolonization, and the world economy were at the heart of the neoliberal project from its inception.

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The fact that the paradigmatic product of Geneva School neoliberalism—the WTO—has been riven with exceptions, infractions, and ignored rules only shows that the clash of economic ideas is far from finished and that the world economy continues to be redefined.[66] As one historian notes, one of the most striking facts about the elaborate legal regime established to protect private property rights in the postwar period is that "it did not work."[67] The early twenty-first century has been marked by ever more countries refusing investment treaties or withdrawing from existing ones.[68] Ever more countries are choosing not to turn to the IMF for loans, chastened by the punishments delivered by electorates after past programs of austerity imposed by diktat. Visions of national economic sovereignty—and claims made in its name—have proven a harder nut to crack than the more optimistic neoliberal theorists believed it would be.

It should be more obvious than ever that to discuss neoliberal ideas of order, especially at the supranational level, is not to assert neoliberal omnipotence. Since the global financial crisis of 2008, so-called populist movements from left to right have multiplied and taken aim at many of the institutions described in these chapters. In the time it took to write these pages, globalism itself has gone from a rather obscure term of academic analysis to a target of right-wing opprobrium, helping to fuel the campaign of the winning candidate for the world's most powerful office. Globalists, defined (if at all) as a shifting and often shadowy combination of the financial, political, and academic elite, are routinely scapegoated for all that ails the body politic and viewed as specters of an identity dangerously unmoored from the concerns of ordinary people. The following chapters narrate the self-perception of those who would welcome being labeled "globalists." They help bring neoliberalism down to earth by casting both neoliberalism and globalism less as abstract overarching logics of history than as political projects populated by discrete individuals occupying specific places and moments in time. For all of the alternating

handwringing and obituary writing of its critics, and the alternating self-congratulation and despair among its celebrants, neoliberal globalism remains one argument among many. What follows is a story, not of a victory, but of an ongoing struggle to determine which principles should govern the world economy, and, by extension, all of our lives.

1

A World of Walls

For the liberal, the world does not end at the borders of the state. In his eyes, whatever significance national boundaries have is only incidental and subordinate. His political thinking encompasses the whole of mankind.

—LUDWIG VON MISES, 1927

The end of the First World War delivered the first blow to the world of empires. The Austro-Hungarian Empire, which once sprawled across most of Eastern Europe, was reduced to a wisp of its former self. Austria was one-quarter of its former size and contained one-fifth of its former population. Hungary lost two-thirds of its territory and two-fifths of its population. The Ottoman Empire, which had endured over six centuries and at its height spanned Europe, the Near East, and North Africa, contracted to the peninsula of Turkey, with a footprint across the Bosporus. French and British authorities took over Ottoman territories, including Syria, Iraq, and Palestine, and claimed, at least on paper, to prepare them for self-government. Germany's African and South Pacific colonies were divvied up among the victors (with South Africa co-opting Southwest Africa for itself). These former colonies were now called mandates, with independence deferred to a future date. Although the League of Nations began its life as a "league of empires," it grew to offer a space for new claims from the global margins.[1] Even if the European world powers were far from ready to give up their overseas territories, one could see on the map of Eastern Europe, and hear in the speeches of Woodrow Wilson, V. I. Lenin, and anticolonial intellectuals such as Jawaharlal Nehru and Mao Zedong that a new principle of national self-determination was going global, readying an ambush against the old language of empire.[2]

As the concept of the nation circulated in the 1920s, so did the concept of the world. The term "world economy" entered English in the decade of the "emergence of international society."[3] It came with a raft of other "world" phrases, including "world history," "world literature," "world affairs," and, of course, "world war." Like family members and breathable air, the world economy was discussed most when it was gone. To many, the end of the First World War looked like the end of the world economy. The Austrian economist Ludwig von Mises wrote in 1922 that "shortly before the world war we were in sight of realizing the dream of an ecumenical society. Has the war merely interrupted this development for a brief period or has it utterly destroyed it? Is it conceivable that this development can cease, that society can go backwards?"[4] He wondered: "Who then would rebuild the shattered world?"[5] Liberals saw themselves in the curious position of needing to reconstruct something that had worked partly because it was taken for granted. With the war it became clear that progress was not a one-way street—the world economy could go backward. Economists, states, and businesspeople would have to work together to rebuild the shattered world of global capitalism.

One of the major ruptures in the neoliberal narrative of the twentieth century was the First World War. Scholars have observed that in the course of that war, all belligerent powers "moved in the direction of organized capitalism and war collectivism."[6] Foreign-owned property was seized, command economies replaced market supply and demand, centralized regimes of rationing and resource allocation displaced the price mechanism, and national governments and planning boards demolished the walls of corporate secrecy, intruded into private accounts and affairs of business to gather data about production and distribution, and created what some called "war socialism" and what the German statesman and entrepreneur Walther Rathenau called the *Großwirtschaft,* or "great economy."[7]

In the course of the war, the sacred nature of private property across borders was violated; the space of the private capitalist was desecrated. Private accounts were now part of state knowledge, rendered as inputs into a comprehensive plan for allocating the nation's resources. Nowhere was the collapse of the division between public and private more catastrophic than in the sites of successful socialist revolutions: the Soviet Union in 1917, the Bavarian Soviet republic of 1918, and the Hungarian revolution

under Bela Kun. But the era after the First World War saw everywhere a great exposure of corporate secrets—business had to be made visible, and for its own good.

From the liberal perspective, three factors empowered the domain of politics against that of the economy after the war. First, popular sovereignty was strengthened by the generalization of universal male suffrage in Europe and North America, making it more difficult to maintain the gold standard through domestic adjustments borne by ordinary people.[8] Second, the war left a legacy of what liberals saw as misguided confidence in the power of governments to allocate resources. It is no coincidence that one of Hayek and Mises's most important antagonists in Vienna was Otto Neurath, a man who had created a moneyless plan for the Bavarian Republic. Since the war, an economy directed by central authorities looked like a viable alternative. Third, the resolution of the war in the peace treaties of Versailles and St. Germain validated the idea that the nation was the most important category for organizing human affairs. To the group that would become the neoliberals, the era after 1918 was marked by an attempt to reestablish what they saw as the correct balance between the public world of government and the private world of property and contract. Concretely, this translated into a series of projects of capitalist internationalism. There needed to be a respect for private property that trumped national law. Investment must be able to cross borders back and forth without fear of obstacles or expropriation. Capital needed to become cosmopolitan again.

In this chapter I will focus on the Austrian liberals in the Vienna of the 1920s and the institutions where they first practiced their craft and found their political worldview. The two most important international economic institutions of the period were the International Chamber of Commerce (ICC) and the League of Nations. Those two institutions organized the World Economic Conference of 1927, the first economic gathering to take the entire world as its subject. It codified an international opposition to trade obstacles and brought the metaphor of the "tariff wall" into common circulation. In an era when the United States withdrew into relative diplomatic isolation, the League of Nations took the lead in drafting blueprints for global economic governance, a series of conversations in which the later neoliberals Ludwig von Mises, Gottfried Haberler, Wilhelm Röpke, Lionel Robbins, and F. A. Hayek were all directly involved.

One challenge for the institutions was to restore free trade; the other was the domestic obstacle of labor unions. In the same year as the World Economic Conference, Mises was present for the workers' uprising in Vienna, which left close to one hundred people dead and the Palace of Justice in flames. Liberals perceived tariff walls and workers' wage demands as two kinds of barricades in the market. Achieving the liberal ideal required a state that could eliminate obstacles to trade and obstacles to the adjustment of wages. This meant a militant and, when necessary, militarized opposition to the strategies of organized labor to protect their salaries and their state-granted entitlements. The bloody suppression of the 1927 riots assured Mises that the state was willing and able to use any means necessary to prevent workers from creating political conditions favorable to their own goals.

MILITANT LIBERALISM ON THE *RINGSTRASSE*

If organized neoliberalism has a birthplace, it is Stubenring 8–10 at the eastern end of the grand boulevard of Vienna's Ringstrasse. At that address, in 1907, the Lower Austrian Chamber of Commerce and Industry (later the Vienna Chamber of Commerce) opened its new building, a massive six-story structure designed by Ludwig Baumann in a combination of neoclassicism and Jugendstil art nouveau, with the two-headed eagle of the dual monarchy on its corner with the bound fasces on a shield. One entered the building between four marble columns, then proceeded up a central stairway flanked by life-size bronze sculptures of topless Egyptian acolytes holding votive bowls aloft and backed by a geometric matrix of blue and green stained glass. After taking a job there in 1909 at age 27, Ludwig Mises walked up those stairs every working day for twenty-five years. F. A. Hayek took his first job there in 1921, working with Mises as a civil servant for eighteen months on a commission related to the St. Germain peace treaty.[9] After the mid-1920s, Mises was joined by Hayek again, along with another protégé, Gottfried Haberler, for whom Mises secured positions in the Austrian Business Cycle Research Institute, which operated in the same building. Mises's office on the second floor, facing the Ringstrasse, was also the meeting place for his private seminar, which included Fritz

Machlup and visits by Lionel Robbins, Frank Knight, and John Van Sickle, becoming part of the "extra-academic cosmopolitan intellectual formation" that in 1947 would become the neoliberal Mont Pèlerin Society.[10]

Beginning the story of neoliberalism with the Stubenring in the 1920s rather than with Mont Pèlerin in 1947 deflates the self-heroizing narrative of lonely embattled intellectuals and reveals the world in which future neoliberals formed their principles. It also shows how their writing began with straightforward policy problems rather than abstract contemplation. Though Mises claimed that "no other calling was more desirable to me as that of a university professor," in many ways the Chamber of Commerce remained his most characteristic milieu, and his policy suggestions remained remarkably consistent.[11] He began his career in Austria in the last years of the Habsburg Empire, advocating strenuously for lower corporate taxes on industry, and ended it in the last years of the First Austrian Republic, arguing for the same. Taking the position of Chamber secretary in 1918, Mises was obliged to advise the government and write expert evaluations of new laws in the interwar period, a duty that peaked with leading a three-person Economic Commission in 1930.[12] Even if he is remembered for his work on social philosophy and theories of money and credit, Mises earned his livelihood for much of his adult life as a forthright advocate for the needs of business, including with the Chamber of Commerce in the 1920s and 1930s, and the National Association of Manufacturers (NAM) and Foundation for Economic Education after his emigration to the United States.[13]

The location of the Vienna Chamber of Commerce on the Ringstrasse was heavy with symbolism and helps illustrate the milieu out of which the Austrian strain of neoliberalism emerged. The boulevards themselves were built in the wake of the revolutions of 1848 on the vacant land that had once been the medieval city walls. In his classic study of fin-de-siècle Vienna, Carl Schorske describes how the liberal city government used the Ringstrasse to showcase its vision of social order, building the parliament and city hall alongside theaters and the university.[14] The developments echoed those under way in Paris under the direction of Baron George-Eugène Haussmann. Both urban renewal projects created arteries of commerce and transportation in medieval cities, building wide streets that could serve simultaneously as sites of cultural enrichment in their opera

houses and museums, expressions of state power in their monuments, and sites of consumption in their shop windows and sidewalk cafes.[15] The wide streets would also make it harder for future insurgents to build the barricades that characterized the revolutions of 1848. Both designs included arsenals and barracks for the easy deployment of troops to quell domestic threats.[16] The Ringstrasse and Haussmann's boulevards turned Vienna and Paris into modern cities, hubs of commerce capable of accommodating—and policing—an expanding population of all classes.

The Stuben Quarter was built at the tail end of the Ringstrasse in the first decade of the 1900s, "as the liberal era closed."[17] The view from the Chamber of Commerce was onto the massive seven-story War Ministry, designed by the same architect and completed in 1913. That building was topped by a bronze Habsburg eagle with a sixteen-meter wingspan, which required that an extra floor be built to undergird it. Beneath it was a slogan: "If you want peace, prepare for war." After the war, the building became a barracks for the Austrian military. The eagle remained but was literally decrowned, and the slogan was removed. The third building in the ensemble remained unchanged: the headquarters of the Postal Savings Bank, an equally massive building designed by Otto Wagner, which opened in 1906 as one of the most famous buildings in the style of Jugendstil and early modernism, built with reinforced concrete with a facade boldly free of ornament.

Mises watched the events of the decade and formed his vision of economic order from the vantage point of the Stuben Quarter. The War Ministry building across the street from the Vienna Chamber of Commerce seemed to embody what Mises would later oppose as "omnipotent government."[18] Yet his version of neoliberalism never rejected the state as such.[19] Michel Foucault's attribution of "state-phobia" to Austrian neoliberals is a misunderstanding, especially considering Mises's career as an advocate for the use of government taxes to fund business interests.[20] Mises would become a patron saint to American libertarians, but he not only worked professionally as a state-funded advisor to the government but also saw a strong role for the state in the protection of property and keeping of the peace. In a telling phrase from 1922, he called the state "a producer of security."[21] For Mises, the assessment of state action depended on the field of engagement. The imperial state itself did not concern him. His fear

was of interventionist government that appealed to "the people" for its legitimacy. His state could find its legitimacy only in its defense of the sanctity of private property and the forces of competition.

We will see in Chapter 3 that Mises had no qualms about using government military power to open and secure overseas markets. And even as he condemned what he called "étatism"—state intervention into the production and supply of goods—he criticized the state for not acting more aggressively against labor unions.[22] Maintaining security often involved repressing worker demonstrations, which he saw as criminal violence outside of the law. Such undertakings were not and could not be the functions of a small state. In this sense, the transformation of the former War Ministry into a garrison for the new Austrian military after 1920 should also be seen as a necessary and appropriate component of Mises's neoliberal model.

Schorske claimed that the early twentieth century was the end of the liberal era. That might be true for party politics, but 1907 was also the year of the achievement of universal male suffrage, one of liberalism's central demands for achieving popular sovereignty. It was partly direct action, including demonstrations in 1907, that brought this about, and this shook Mises deeply. He described public demonstrations as tactics of "terror and intimidation." "Unchallenged," he wrote in his memoirs, "the Social Democrats assumed the 'right to the street.' "[23] The streets of Vienna, and the Ringstrasse in particular, were more than a symbolic space. They were the forum where popular demands were voiced, sometimes to be granted and other times to be suppressed. In moments of uprising, crowds became symbols for the people as such, and those who were skeptical of democracy often based their resistance to change on the sight of such manifestations. The city was not just the backdrop for the emergence of a particular set of ideas. Neoliberal thinkers arrived at their ideas in response to the world they saw around them. The question of democracy became more pressing in the era of universal suffrage in Austria. One could argue that the "end of the liberal era"—as the advent of a new paradigm of militarized liberalism, later to be called neoliberalism—developed precisely as a response to the growth of mass democracy. This new paradigm was centered, not in the parliament or university, but in the triumvirate of security, finance, and

commerce located in the Stuben Quarter. A well-armed state and sound money flanked by business were the icons of the ideology taking shape.

THE INVENTION OF THE TARIFF WALL

After the First World War, Mises and his circle found institutional allies beyond the nation and empire. A key institution in rebuilding what Mises called the "shattered world" of the global economy was the ICC, founded in Paris in 1920. The many recent histories of international civil society have given surprisingly little attention to the international coordination of businesspeople: the global public sphere of capitalists. Only two books have been written about its most paradigmatic organization, the ICC: a dissertation in German, and a book commissioned by the chamber itself in the 1930s, with a title—*Merchants of Peace*—that suggests an in-house bias.[24] The ICC would become an important institutional partner for the Austrian neoliberals.

The ICC emerged as an amalgam of two developments in the late nineteenth century: international cartels and international statistical associations. The cartels were groups of businessmen who specialized in the same sector and would set prices and ensure collective profitability. The ICC's direct forerunners were international business federations that appeared in the decade before the First World War. These made public the formerly secretive cartel discussions and incorporated an aspect of public relations into their practice.[25] The international statistical associations began with the International Statistical Institute, which was formed in 1885 and was the first entity to collate global statistics. The Institute was overseen by two economists at the University of Vienna who were also Mises's professors: Franz Neumann-Spallart and Franz Juraschek. As F. A. Hayek's grandfather, Juraschek had a filial tie to the neoliberal circle.[26]

Without a seat at the League of Nations, American economic internationalists often relied on the ICC to make their position heard. At the 1919 meeting in Atlantic City that would lead to the formation of the ICC, the organizers explained that reestablishing world trade after the war would be a struggle in itself. The isolationist position of the U.S. government had already effected a curious reversal. European business leaders now had to

come to the rescue of Americans. The chair of the Atlantic City conference, Alfred C. Bedford, said to the fifty European businessmen in attendance: "It is as if you were a relief force come to assist us in raising a blockage. For against America—as much as against Europe—a blockade by the war's havoc upon that highly sensitive mechanism of the world's trade, threatens and impends." The assembled business leaders imagined a world that should and needed to be free of walls obstructing goods and capital. As Bedford said, "not only the physical comfort and well-being but the very lives of millions of people, depend upon this modern mechanism of international trade being restored, upon the barriers which were erected in the wake of war being leveled, until the channels of commerce can be reopened so that the commodities upon which human existence depends, may flow unchecked from where they are most plentiful to where they are most needed."[27] Bedford evoked a vision of the world economy as a hydraulic landscape. Commodities flowed through the "channels of commerce" created by the infrastructure of shipping and rails, and enabled presumably by the free flow of information in the networks of communication. This was a networked world economy without centralized control, where the laws of supply and demand dictated the distribution of the world's resources and its man-made products.

Human and state facilitation was needed to realize this vision. Yet, drawing from an older classical liberal imaginary, the process was depicted as natural, stemming from the laws of physics, perhaps even gravity. Bedford condemned the "barriers" raised during the war, referring to protectionist measures throughout the world that had been designed to safeguard production and national self-sufficiency. These were portrayed by the gathered businessmen as artificial impediments to a natural state. The metaphors reflected Woodrow Wilson's own language in the Fourteen Points, one of which called for "the removal, as far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance."[28]

At its constitutive session, the members of the ICC declared that "a nation is not an independent economic unit. Every day, the facts demonstrate the interdependence of all countries in the economic domain."[29] At its first congress in 1921, the ICC already included

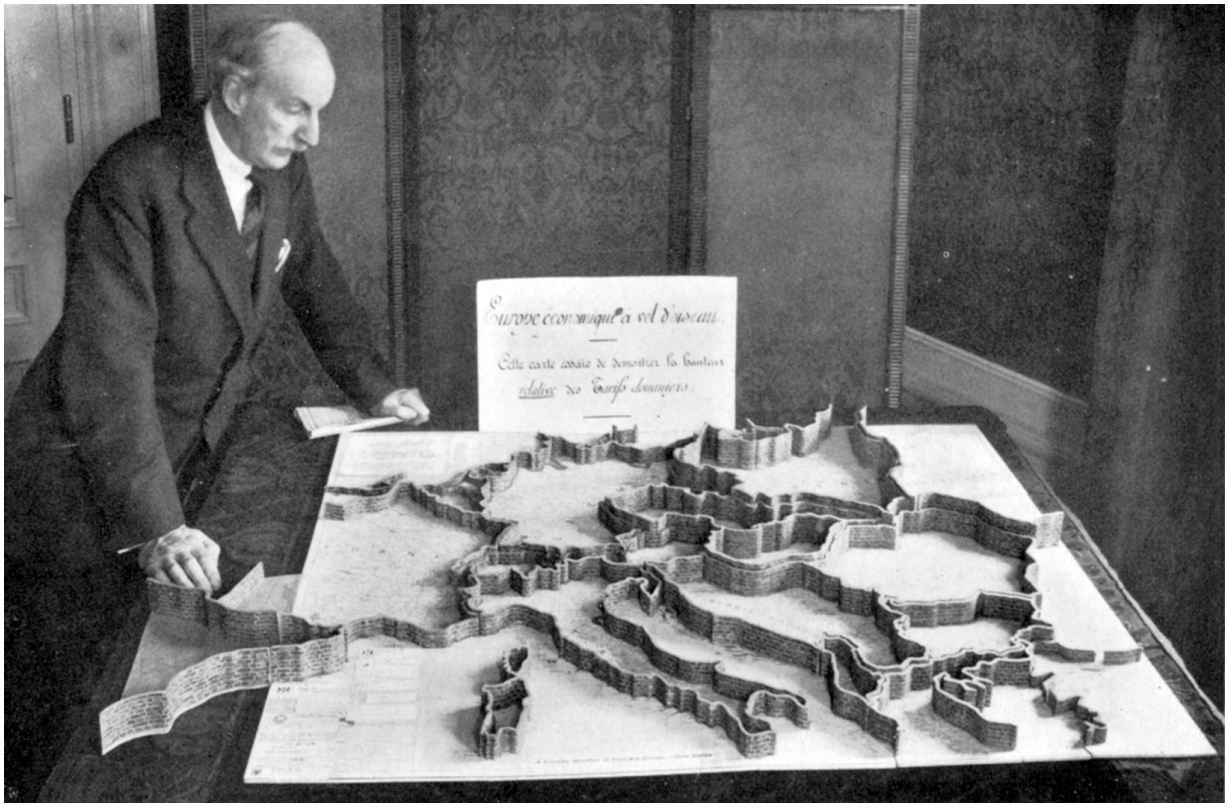
representatives from the defeated Austria and, after 1923, Germany, with delegates from thirty-three countries.[30] By 1927 the ICC had over 2,300 members; almost half were in the field of industry, about a quarter in banking and trade.[31] After 1925 Mises was the Austrian representative to the ICC. He traveled to Brussels for the third congress in 1925 and to the United States for the first time in 1926. In his capacity as the Austrian representative, he traveled extensively and was responsible for organizing and carrying out the seventh congress of the ICC in Vienna in May–June 1933.[32]

The League of Nations also defended liberalism on a global scale, but it remained committed to the principle of political self-determination. A German newspaper referred to the ICC as the "Economic League of Nations," with the advantage that the United States was a member (it was not a member of the League).[33] U.S. businessmen and bankers with a belief in interdependence organized in the ICC. Charles Dawes of General Electric, and the American banker Owen D. Young, for example, who were involved in plans to reschedule and relieve war debts in 1924 and 1929, were both active members.[34] Willis H. Booth called the Dawes Plan the "product" of the ICC.[35] Norman H. Davis, former under secretary of state, speaking alongside Dawes and Young before a trip to the fifth meeting of the ICC in Brussels in 1925, expressed the pragmatic attitude toward interdependence: "Whether we like it or not, we cannot any longer disregard world affairs. Our position as a creditor nation, with a growing necessity for markets, imposes a duty and an obligation upon us."[36]

Until 1926 the ICC group was primarily concerned with a task they described as economic reconstruction; after 1926 they shifted their focus to opposing both tariff and nontariff barriers to trade.[37] They received active support from the Stubenring group. Richard Riedl, an economist at the Vienna Chamber of Commerce, prepared one of the most extensive reports for the ICC with two publications calling for the sinking of tariffs.[38] At the time his was the most extensive attempt to calculate the tariff index; his calculations covered 402 commodities and fourteen countries.[39] When in 1920 the League of Nations took up the task of gathering international economic statistics, which they would eventually take to an unprecedented level of comprehensiveness, the ICC was one of the members.[40]

Arthur Salter, head of the of the League of Nations Economic and Financial Section, described the ICC's report on the reduction of trade barriers as the foundation of the World Economic Conference of 1927.[41] He described a division of labor between the two organizations, with the ICC having "direct experience of the practical effects of administrative action" and the League having "a direct and official entry into the counsels of governments and the action of departments which the Chamber, as a private institution does not possess." "If the League can offer the machinery for achieving administrative reform, it must look to you for much of the motive force," he said in an address to the ICC's members. The primary goal was the negative one of removing barriers. "The actual tasks on which we are working together nearly all consist in trying to modify policies or administrative methods which impede business."[42]

In these months, business internationalists found the most enduring symbol for their campaign against barriers. The story of the tariff wall is a telling case study in how metaphors turn into economic policy. It begins in 1926, after Clive Morrison-Bell, an English Member of Parliament and former parliamentary private secretary to Winston Churchill, heard a radio report on protectionist policies that convinced him that European "countries were slowly committing suicide." He set out to find a visual means of depicting economic relationships to show that Europe was "one large community, the members of which would sink or swim together."[43]



A Europe of walls. Clive Morrison-Bell at the Vienna Chamber of Commerce. Clive Morrison-Bell, *Tariff Walls: A European Crusade* (London: John Murray Press, an imprint of Hodder & Stoughton, 1930).

Morrison-Bell commissioned a local carpenter to build a table-size map of Europe with miniature red brick walls circling each country. The height of each wall was to correspond to the averaged level of the country's tariffs, but Morrison-Bell found to his surprise that the government itself did not have this data. He had to turn to the League of Nations, which supplied him with the numbers that they had begun gathering at the beginning of the decade. A later version of the map had a boldface title: "Visualize the Idea." What idea was represented here? The first impression of the walls, painted red in the table-sized version, is of the European nations' hazardous and anachronistic self-encapsulation. In the foreword to Morrison-Bell's book *Tariff Walls,* the Viscount D'Abernon wrote that the continent on the map "resembles nothing so much as a group of medieval fortified camps designed to impede progress."[44]

This was precisely the situation Morrison-Bell intended his map to portray. He saw himself using the "elementary lines of mass psychology

that the best hope of any progress, however moderate, depends, and for propagating this idea there can be no simpler method than through the eye by means of this somewhat novel form of cartography."[45] He explained how the visual metaphor of the bricks in the tariff wall made the economic visible—and noted that it caught on quickly. Who would have spoken, he asked

> about putting a course of bricks on a tariff wall a few years ago. It would have been necessary to go into long explanations about this simple simile. So to have accomplished even this may be of some use, for the moment the public in other countries begin … to be seized with the idea that they are prevented from enjoying to the full the necessaries of life, because they are walled in as though with a brick wall, the further idea might begin to take root, namely, that it might not be a very difficult operation by a concerted effort to knock a few bricks off the top of these walls.[46]

The map argued visually for the removal of the barriers to trade.

Morrison-Bell's itinerary of travels with the map traces the sites of advocacy for the flat world in the 1920s. He began with the Bank of England, where Montagu Norman welcomed and displayed the map in 1926.[47] Then he showed it at the London Stock Exchange, followed by a meeting at the headquarters of the ICC in Paris, where it was constructed in the president's room. Next he displayed it at the preparatory meeting for the 1927 World Economic Conference at the Palace of Nations, in a foyer to be seen by all delegates as they entered. The chairman of the Royal Commission on Trade, Sir Arthur Balfour, traveled to Berlin and Copenhagen with the map in pieces, assembling it on his arrival.[48] Nicholas Murray Butler, president of both Columbia University and the Carnegie Endowment for International Peace, circulated photographs of the map to 1,500 American newspapers.[49] Morrison-Bell claimed plausibly that his model brought the metaphorical term "tariff walls" into public discussion as a synonym for "tariff barriers" or "obstacles to trade."[50] An image of the map appeared across the full width of a page in the *New York Times* in late 1926, with the legend "Tariff 'walls.' "[51]

In March 1927 Morrison-Bell displayed his model in the budget room of the Austrian parliament, and then to the Chamber of Commerce on the Stubenring, which he remarked correctly was "unlike similar institutions in England, seems to be a semi-official body closely connected with the Government."[52] The members of the Chamber were so intrigued that they requested their own version of the map, which Morrison-Bell delivered in 1929 to be used as a traveling pedagogical instrument in the "struggle for an improvement of the commercial conditions in Central Europe."[53]

The most visible display was at the 1927 World Economic Conference itself. Morrison-Bell planned beforehand to scale up the map considerably. The map was to stretch over twenty square yards on the shores of Lake Geneva.[54] In this grand form the contours of countries with low tariffs would be easily recognizable from above, while others would appear warped, their shape distorted by barricades. Making the familiar profile of Europe strange was intentional. As the frontispiece to his book, Morrison-Bell reprinted a Dutch cartoon from the World Economic Conference in 1927 that depicted a towering heap of "tariff walls in Europe" that was both disorienting and daunting to the small figure in the foreground.[55]

After having troubles with construction of the large-scale map, Morrison-Bell set up a smaller-scale model in Geneva in a dedicated building on the lakeshore. While there, he received a copy of a report from the Vienna Chamber of Commerce prepared by Riedl. It included a map with shading according to relative tariff levels. The calculations were much more extensive than Morrison-Bell's previous data. The League of Nations was collecting price data on only 78 goods; the Austrian branch of the ICC on the Stubenring was collecting data on 402 goods.[56] Morrison-Bell displayed the map alongside his own. The imaginaries of Austrian and English liberals were interpenetrating, creating a common visual language for their demands for free trade.

Both the World Economic Conference in May 1927 and the Stockholm Conference of the ICC in July made opposition to trade barriers central to their message. It was key, William Rappard noted later, that "these recommendations were made on the authority not only of a few benighted liberal professors, but of a large representative gathering, including even American business men, whom no one could denounce as visionary internationalists."[57] The participation of the business community signaled an

increasing willingness to take an active public role. They were also evidently more keen to draft academic expertise into the formulation of their opinions. The ICC president said, “The world turns more and more to us whenever it needs to ascertain the views of business men. Following the example of the League of Nations, great international institutions one after another, for agriculture, for communications and transit, appeal to us to assist them in their work. We claimed the responsibility of representing business and now that claim is admitted on all sides. We must not disappoint the hopes placed in us. Noblesse oblige, and if you will permit me to say so, our own interest demands.”[58] Business internationalism, with the aid of economic expertise, was helping to standardize a new norm about how the world economy should operate.

A contemporary photograph shows Clive Morrison-Bell standing over his map at the Vienna Chamber of Commerce. The placard reads, in French, “A Bird’s-Eye View of Economic Europe.” As with the modern architects or urban planners who were often drawn to produce symmetries below pleasing to the eye in the sky, the tariff map shaped its own solutions, encouraged the realization of a world uncluttered by walls. The map did not produce this position among liberal businessmen but it crystallized and, as Morrison-Bell intuited it would, projected it in a form that made the argument more compelling to both the common person and the commentator, regardless of its actual effects on their lives.

The metaphor carried its own implications. Mises’s protégé at the Chamber of Commerce, Gottfried Haberler, pointed out the legerdemain required to create a single number for the “height” (his quotation marks) of tariff walls. Beyond the reality of varying tariffs from product to product, tariffs were also usually settled on in treaties between two countries, meaning that the map would look different depending on whose perspective one saw it from.[59] The single tariff wall idea carried the idea of the Most-Favored-Nation model implicitly, that is, the idea that the reduction of a tariff toward one country would involve lowering those for all other countries automatically. This norm was enshrined at the 1927 World Economic Conference against U.S. tariffs; it would crumble in the protectionist 1930s, only to return with the creation of the General Agreement on Tariffs and Trade (GATT) after the Second World War.[60]

BARRICADES IN THE CITY, JULY 1927

In its maquette of an internally walled Europe, the tariff walls map expressed an implicit normative vision of free movement. Yet it is notable that the map reflects commodities, not people. Haberler wrote that "military language, containing expressions such as 'economic front' and 'defensive positions,' is especially inappropriate to the analysis of problems of international trade and of division of labor between countries.… It suggests that a 'front' of economic conflict lies always between two countries, whereas in reality the conflict is between groups having different interests *within* each country."[61] If one side of Mises's vision was removing barricades to goods to allow for price convergence, the other was the need to remove obstacles to wage convergence. The biggest challenge to this in 1920s Austria was the trade unions. In one of his first published works, Mises asked as a young student in 1906 whether "English and German workers may have to descend to the lowly standard of life of the Hindus and coolies to compete with them."[62] In 1919 he provided a mixed answer: on the one hand, in the world economy he imagined the European worker would certainly earn less than he had become accustomed to. On the other hand, the "Hindus and coolies" of the world would earn more. Once one abandoned David Ricardo's odd hesitation at expanding the scope of the spatial division of labor, Mises wrote, "then one sees a tendency prevail over the entire earth toward equalization of the rate of return on capital and of the wage of labor. Then, finally, there no longer are poorer and richer nations but only more densely and less densely settled and cultivated countries."[63]

The primary problem was the most obvious one: the unwillingness of European workers to accept lower wages for the sake of either the higher law of liberalism or, as in Mises's argument, the benefit of a distant, likely nonwhite, foreign worker. Many of the challenges to liberalism in the 1920s proceeded from this obstacle. As Mises thought globally, he had to act locally, in a city famously governed by socialists. The realities of Red Vienna were a challenge to the realization of the vision of the group that would become the neoliberals—and conflict with the socialist-run city inspired their ideas.

Mises's policy prescriptions in the 1920s always had two sides: open to the world market, and make the internal adjustments necessary to compete internationally. This required two key measures: push down wages, and cut taxes on industry. In his writings after 1918 he repeated the point that a small country like Austria had no capacity to be self-sufficient. Such a fantasy could be maintained (at least for a while) in countries with enormous domestic markets—like the United States, England with its empire and dominions, or even Germany—but the Treaty of Saint Germain had made Austria, a country of just over six million people, heavily reliant on the foreign market for raw materials. In the words of one American journalist, it had been reduced to a "mutilated torso."[64] Prefiguring many of the dilemmas that would face nations after decolonization after 1945, the end of Austria's empire meant an increased reliance on access to an open world economy.

Mises put the issue systematically in a policy program written at the request of a politician in February 1921: "Austria needs free trade." Alongside suggestions to lift prohibitions on imports and ports, Mises suggested privatizing public enterprises, eliminating food subsidies, and, consistent with his belief in free movement, lifting entry and residence restrictions for foreigners.[65] After 1920 the Chamber of Commerce had the duty of writing evaluations of laws for the government.[66] In a position statement, Mises restated the points that "Austria's future depends on free trade" and that if their goods were "to be able to compete abroad," wages would have to fall "far below their prewar level."[67]

The fight over class justice exploded onto the Ringstrasse in mid-July 1927. The precipitating event had come six months earlier when members of the right-wing militia Frontkämpfer marched in a heavily Social Democratic area. Harassed by members of the Social Democratic militia, the Frontkämpfer fired into the crowd, killing a worker and a child. Six months later, the result of their closely watched trial was complete acquittal, enraging workers who saw it as a case of skewed standards. Though the Social Democratic Party, led by the moderate Otto Bauer, advised against a violent response, rank-and-file workers dissented. At 8:00 a.m. the following day, the electric workers stopped the streetcars, bringing the circulation of labor through the city to a halt and signaling the call to a general strike.[68] Workers marched to the Parliament on the far side of the

Ringstrasse from the Chamber of Commerce. The Palace of Justice became the target of their anger at the court's verdict, and part of the crowd stormed the building and set it on fire, while others blocked fire trucks, cut hoses, and opened up other hydrants to reduce water pressure, defiantly impeding the city's functions.[69]

The authorities felt pushed to opt for a radical solution, and the police chief received emergency powers, suspended the rule of law, and gave the order to fire on the demonstrators. Police killed protesters with rifles in the center of the city, and then drove out to workers' housing complexes in the suburbs and killed more. After three days, eighty-nine people were dead and over a thousand injured.[70] The workers' movement was permanently crippled. The Social Democratic Party was unable to use the threat of mass mobilization effectively again, and, perhaps most damagingly, the days had shown that even the putatively socialist members of the police would not hesitate to fire on fellow workers.

The July 15, 1927, uprising was the deepest crisis in Vienna before the civil war of 1934. The sight of the Palace of Justice in flames shook the author and cultural critic Elias Canetti deeply, leading him to devote his life's work to understanding the relationship between crowds and power.[71] For Mises, the event was not a trauma but a great relief. He was in Vienna at the time and wrote to a friend: "Friday's putsch has cleansed the atmosphere like a thunderstorm. The social-democratic party has used all means of power and yet lost the game. The street fight ended in complete victory of the police.… All troops are loyal to the government."[72] "The threats by which the social-democratic party has up to now permanently tried to bully the government and the public," Mises continued, "have proved to be far less dangerous than one had believed."[73] As his biographer describes, Mises was "surprised and delighted by the failure of the general strike."[74] It appeared that he accepted lightly the means used in the suppression, which delivered a deep blow to many at the time. The right to kill with impunity under emergency powers met Mises's approval.

As with the other neoliberals we will encounter in these pages, democracy was not an absolute value for Mises. He admired it as the system most likely to produce an outcome amenable to stability and an atmosphere for free economic exchange. He did express doubts that democracy produced leaders better than those produced by autocracy or

aristocracy, but he said that this was missing the point: “The significance of the democratic form of constitution is something quite different from all this. Its function is to make peace, to avoid violent revolutions.”[75] If populations felt that their voice and opinion had effects on the composition of the government, then they would less frequently reach for violent means. The definition of equality must remain minimalist though, exhausting itself with equality before the law. Attempting to enforce equality beyond this would be to deny the basic fact “that men are endowed differently by nature.”[76] Thus, a crucial complement to voters’ democracy was what he would later call “a consumer’s democracy,” expressed by purchases and investments in the marketplace. “True there is no equality of vote in this democracy; some have plural votes. But the greater voting power which the disposal of a greater income implies can only be acquired and maintained by the test of election.” Wealth, he wrote, was “always the result of a consumers’ plebiscite.”[77] Mises’s functional definition of democracy had a clear implication: should democracy cease to be functional—that is, cease to secure stability—there would be no reason to maintain it.

In 1927, democracy had ceased to fulfill its primary function. It did not prevent revolution. In that case, Mises believed, it was perfectly legitimate to suspend it and enforce order by other means. The structural link between the nascent welfare state and emergency law was also clear in the uprising. In the course of negotiations, the only concession that Social Democrats were able to secure during the strike was that the government would not use its emergency powers to abolish unemployment benefits and social housing programs.[78] Yet this was precisely what Mises felt was necessary in order to make Austrian industry competitive again. In February 1930 the Chamber of Commerce, with Mises as its primary adviser, recommended cuts to unemployment benefits and to health and accident insurance. If workers wanted severance pay, it should come out of union dues rather than from the employer or state.[79]As the most influential member of a three-person Economic Commission in 1930, he argued that the terms of trade, the interest rate, and the prices of many commodities were determined by world economic conditions, and were thus out of the control of the Austrian authorities. The only thing they could change were wages and taxes. Both had to be lowered to bring down production costs.[80] The tactic of the Chamber of Commerce was to recast organized labor as illegal, and thus

unable to demand protection under the law and prone to extirpation. The Chamber promoted the passage of an "anti-terror law" to be used against striking workers.[81] A similar version would be used in the civil war of 1934 when the housing estates where police had shot demonstrators were attacked again and subdued.

Critics called the Chamber of Commerce policies "class war from above" and said that the anti-terror law showed that "as always, the only means that the brains of those in power can think of to use against workers and employees is violence."[82] The recommendation of Mises's Chamber of Commerce showed his model in action. Understood functionally, democracy could be suspended when this is required for the stability of the market. The *Neue Freie Presse,* for which Mises wrote articles, called for the "actual depoliticization of the economic" *(wirklichen Entpolitisierung des Ökonomischen).*[83] Needless to say, this form of "depoliticization" was very political, and entailed a dramatic application of executive power. Foreign competition, and by extension the rhetorical weapon of invoking the world economy, was a bludgeon to beat back social policy gains in worker insurance, severance pay, and unemployment benefits.

Mises and Hayek both believed that the 1929 slump was caused by loose monetary policy and overinvestment, and that unions were the reason that the slump turned into a depression. Unemployment was voluntary. "Unemployment is a problem of wages, not of work … the assistance of the unemployed is what first creates unemployment as a permanent phenomenon."[84] In a lecture to German industrialists in 1931 titled "The Causes of the World Economic Crisis," Mises condemned governments that had "capitulated to the unions," which pursue their goals "by the use of violence." "Were it to proceed in its usual way and interfere with the criminals who abuse jobseekers and vandalize the machines and other of the entrepreneurs, then circumstances would be different."[85] At this exact time, he was in England in his official capacity for the ICC, seeking foreign investment in Austria. The struggle of organized labor against the reduction of their wages made this difficult. The needs of the world economy were arrayed against those of the organized workers.

In Second Empire Paris, Haussmann's mammoth project to open up pathways for trade and consumption filled the city with construction and service laborers. Marginalized and impoverished, they seized urban space

for themselves in the Paris Commune, which lasted for several months, until it was ended in the so-called Bloody Week and the deaths of 20,000 communards. One could argue that liberal internationalists like Mises in the 1920s imagined the Haussmanization of the world, demolishing the brick walls that impeded commerce to permit a more productive use of the earth's resources. Their vision required that goods and capital remain in movement, pursuing profit and new sites of productivity.

Red Vienna shaped the worldview of the Austrians who would form the neoliberal movement, entrenching the idea of an armed standoff between labor and capital. In his memoirs Mises pointed out the drastic nature of the situation. The party "could paralyze all economic life at any time" with a strike. Most importantly, the Social Democrats had control of the army, which was "equipped with rifles and machine guns, light artillery, ample munitions, and manpower at least three times greater than that available to the government."[86] Mises later described collective bargaining as the "gun under the table." He might have meant it as a metaphor, but it was not a metaphor in Vienna.

By 1927 there was a well-defined and internationally organized network of pro-business forces engaged in the collection of economic information in pursuit of a common goal of negative global integration—the reestablishment of an open world economy. It was a Chamber of Commerce vision: give the businesspeople the power to govern their own affairs, and interfere as little as possible. Hidden in the mobilization, however, was a third party intervening between business and state: the economic knowledge producer. Even if the goal was to let the world economy rule, the businesspeople could not do it for themselves. They required statisticians and economists. When Morrison-Bell needed to construct his map, he started with statistics from the League of Nations. In contrast to the typical policy-minded economist in the late nineteenth century, who would have been a social reformer seeking to counteract and mollify the effects of capitalism, there emerged in the interwar period a generation of economists who sought to apply their knowledge in service of capital.

SEEING LIKE A COMMODITY

The socialization of Haberler, Hayek, and Machlup came at Mises's private seminar, which met in his office at the Chamber of Commerce on the Stubenring. Every two weeks at 7:00 p.m., a flock of young intellectuals in their twenties and thirties would pass under the leaded glass of the entrance and up the stairs past the art nouveau caryatids to Mises's office, where he would sit behind his desk with as many as twenty-five people gathered around him.[87] Discussion would last until around 10:00 p.m. and continue in the Italian restaurant nearby, and continue even further at Café Künstler. Haberler recalls that Mises was in the hard core for endurance, never leaving before 1:00 a.m.[88]

The Chamber acted as a kind of alternative university. Economists of international reputation passed through it, including Lionel Robbins, Ragnar Nurkse, and Howard S. Ellis.[89] Mises boasted that its library contained material that even the University of Vienna did not have.[90] Government offices occasionally consulted the Chamber's statistical material, which was superior to their own collection. The discussions at the private seminar were wide-ranging and became legendary for the participants. One of the participants wrote kitschy verse, later reproduced in the publication of the Mont Pèlerin Society, suggesting its sentimental power for many of the members. A sample stanza read: "I'm going tonight to Mises, because that's where I love to be, there's nowhere so nice in Vienna, to talk about economy, truth and society."[91]

At stake for the Mises Circle was the question one member asked in 1928: Is it possible "to build a bridge between economic theory and economic policy?"[92] The question of the late 1920s for the Austrian liberals was: What kind of economic information was reliable and what kind of information was politically useful? The month after the Palace of Justice burned, Gottfried Haberler was addressing this question in the Stubenring, finishing his book on "the meaning of index numbers."[93] Haberler was born in 1900 to a family of well-off civil servants, in the sylvan Viennese suburb of Purkersdorf, best known for its sanatorium designed by the Secession architect Josef Hoffmann. Built when Haberler was a toddler, the sanatorium was a gathering place for luminaries like Gustav Mahler, Arnold

Schönberg, and Arthur Schnitzler. The clean white lines and geometry of the building reflected the artistic vision of the Secession, further embodied in the building in downtown Vienna with its golden leafy globe. Their goal was the *Gesamtkunstwerk,* the total work of art. Art should bring harmony and perfection to earth.

Though the distance between the sinuous forms of Klimt and Schiele and the dry texts of economists might seem vast, Haberler and his fellow Austrian liberals were engaged with something similar. Their questions were basic, and at some level also aesthetic: How should we measure the "complicated latticework of individual economic acts," and how can we represent it visually?[94] What face of economic actions should we present to the public? Haberler wrote in 1927 that economics was concerned not only with outward actions but also with internal motivations, matters of the "psyche" and the "spirit," or *Geist.* For this reason, he said, economics was one of the humanities, or *Geisteswissenschaften,* a "science of the spirit."[95]

But how to operationalize a science that tended to abstraction? Mises, Haberler, and other economists worked alongside business leaders to provide data and concepts that supported the dream of a world of commerce without walls. Haberler's earliest notable article was on the theory of comparative costs, which began as a presentation in Vienna.[96] His goal was to create a defense of free trade that worked not only in theory but also in the real-life political circumstances of the post–First World War world. His main question concerned free migration. The main argument for free trade was the international division of labor, but "freedom of migration does not exist, has never existed and probably never will exist." It would not be desirable even if it were possible. The Ruhr Valley would become unbelievably crowded, and the Alps would empty out entirely: "One need not be a nationalist for such things to be undesirable." Haberler proposed that he could prove that "free trade is beneficial for all even when there is no freedom of migration and the peoples remain firmly rooted in their countries."[97]

He did so by revisiting David Ricardo's idea of comparative advantage but recasting it without the discredited labor theory of value. In his version, workers did not need to be mobile over national borders as long as prices were. If prices accurately reflected the relative supply and demand on markets, then these would guide entrepreneurs to the most efficient use of

their resources. For prices to serve their function, however, they must not encounter resistance. He gave the specific example of labor: “Here the price mechanism is partially switched off, and real frictional losses can occur in the form of strikes and unemployment.” Luckily, he pointed out, “labor was the most mobile and diverse of all the factors of production.”[98] Even if unemployment figures remained constant, the actual mass of unemployed usually rotated in and out as people moved from position to position. In the demand for the “faultless functioning of the price mechanism,” Haberler conjured an image reminiscent of an enormous clockwork or factory apparatus, shuttling components from one location to the other. He cited earlier thinkers like Bastiat, who argued that free trade worked like invention, constantly rearranging the landscape of production, sending workers to new places of work when one has been outmoded or squeezed out by overseas competition.

The workers themselves were neutral containers of the attribute of labor, as capable of relocation as a chunk of investment capital or a carriage-load of coal. Haberler expressed the vision in an evocative geography: “Inactive production facilities are not actually witnesses to the destruction of capital, of losses that must be calculated against the advantages of the division of labor; rather, they are milestones of the economic progress produced by the international division of labor.”[99] Regardless of any emotional attachment felt by people to livelihood and place, the shuttered factory was not a tombstone to a lost way of life but a monument to the forward march of the market.

Haberler thought wages in postwar Austria must fall to restore competitiveness. He put it plainly in a newspaper article in Vienna in 1933: “The dismantlement of tariffs will bring pain to a series of economic sectors … but the pains of transition will not be long term, they will also definitely not be worse than the unhappiness that we have been plunged into by years of tariff addiction.”[100] He asked the question: “How can an economy that is more poorly equipped in almost every respect withstand the competition of an industry and agriculture working with better production conditions without protecting itself with extra-high tariffs?” The answer was simple: “The poor economy can compete with the rich when the wages and all other forms of income are correspondingly smaller.” He put it bluntly: “When we have faced the necessary consequences completely, when the standard of

living has sunk low enough, income has fallen far enough, then the economy can progress, business as usual.… When the skilled workers in export industry have moved into the coal mines, maybe into agriculture and other economic sectors too, whose products can be better exchanged for qualified export goods and the rest of the workers, insofar as possible, have emigrated, then maybe all will be employed again, granted at a pronouncedly lower standard of living."[101] For Haberler, Austria was a prototypical case of small state in the storms of globalization. As he had written a few years earlier, huge countries like the United States and the British "world empire" might be able to follow policies of stabilizing the internal price level, but small countries needed to remain attractive to foreign investment and therefore had to concentrate on stabilizing their currency.[102] There was no escape from the discipline of the world economy.

It was essential that policy makers not cave to popular demands. A case in point was the demand for stabilization of commodity prices in the wake of the stock market crash. In 1931 Haberler wrote against the idea of stabilizing the price level for certain commodities. He acknowledged that under a scheme of stabilized prices "social friction is less, since the worker can then be offered rising wages and a larger share—at the expense of rentiers—in the social product," but the outcome would be inflation. He said that he would personally rather risk the "increase of social friction" than risk inflation.[103] Here he followed his mentor Mises, who complained that governments had been captive to "public opinion, which looks for salvation in low rates of interest and rising prices." Because the business world desired cheap credit, governments encouraged banks to print money, but short-term profits "in the long run must inevitably create a situation of crisis and depression."[104] Public pressure must be resisted by the banks, schooled by economists on the consequences of their actions. Only then could international trade based on a reliable currency standard be preserved.

Faced with the imperfect world of strikes, tariffs, and democratic pressure on banks for loose credit, Haberler turned to an ideal type to defend his prescription of free trade. In his 1930s writings, he began with a model of what he called a "spaceless closed economy embracing the whole world" and introduced "one by one the circumstances which divide and disintegrate that economy."[105] He explained that he used the category of "countries" in quotation marks because the distribution of resources

relevant to a model of world economic integration did not necessarily align with "political borders."[106] This optic bracketed the political, creating a vision of the world that was either pre- or postnational, depending on how one looked at it. The whole earth was a container of natural endowments over which political communities made claims. Haberler's ideal policy would make reality more closely resemble the model of a "spaceless" world economy where neither man-made nor geographical obstacles hindered the most efficient allocation of the earth's resources through the mechanisms of the free market. Imagining a spaceless world was not pure fantasy in the 1930s. In some cases it had come close to reality. Haberler pointed out that telephone and telegraph links meant that markets for currency, stocks, and commodities reacted nearly in tandem.[107] Local and world prices moved together.[108] Many goods were "international" insofar as it was more profitable to import them from overseas than produce them at home. Transportation chased communication. Both tended toward the disappearance of distance.

Haberler saw the world as a hypothetical unity and proceeded to catalog the obstacles that disrupted that unity. Distance was gradually being overcome. Man-made legal obstacles of customs duties and tariffs persisted. He wrote that the "raising of tariff walls" had "exactly the same consequences as changes in transportation cost," meaning that they created a vertical, rather than horizontal, distance for goods to travel.[109] He was repeating what had become common wisdom at the League of Nations. In 1932 Salter wrote that "the place which protective tariffs occupy in the world's economy and, regarded, as a whole and inevitable effect, are perfectly clear. They are like the natural impediments of mountain range or other obstacles to transport which increase the price paid for the benefits and economies resulting from the interchange of products of widely sundered regions."[110] The liberal geography of the League economists cast tariffs as metaphorical barriers with height to be climbed over.

Yet most mettlesome of all were the obstacles that impeded the free movement of that most essential commodity: human labor. Haberler saw labor as sticky but highly versatile when forced to move. He praised workers for their ability to adapt but condemned them for wanting to stay in place. The danger lay where labor gained allies that acted as anchors. He blamed organized labor and "state intervention in labor questions in

connection with unemployment insurance and unemployment relief" for decreasing labor's "mobility and adaptability."[111] Trade unions were not only anchors. Like Mises, he saw them as walls. He described unions as "artificial obstacles to entry into certain occupations"—barriers upheld through "monopoly power" over the commodity of human expenditure of effort.[112] For free trade to work, the barriers of the trade union needed to fall. Only by being subject to the push and pull of demand within the nation-state could the nation-state container for labor remain intact.

❁ ❁ ❁

After the First World War, Austrian liberals like Mises and Haberler felt that the shattered world must be rebuilt by a process of metaphorical and literal demolition. Striking workers and tariffs to shelter domestic industries were both defined as walls to be destroyed. Paradoxically, Austrian liberals saw this demolition as a purely negative process, as if it were only a question of clearing space. But knitting commercial space back together was very much an active process. The core cohort of the neoliberal intellectual movement that had coalesced in Vienna had found their closest partners in the Businessman's International of the ICC and the League of Nations. Both of these bodies looked like partners for reestablishing the boundaries of capitalism's two worlds. Capital, goods, and wages must be free, irrespective of national frontiers. Novel in Haberler's theory was the rescue of the nation-state as a container for labor. His theory of comparative costs suggested that free trade could compensate for the absence of international labor migration as long as internal barriers established by unions were struck down. Haberler's vision revealed that the Europe of fortresses was a way of seeing like a commodity. The walls between nations were to fall for goods but not for people.

As we will see in chapter 2, the economic constitution of the world suffered a second existential blow with the Great Depression of the 1930s. The stage shifted from Vienna to Geneva as liberals fled the coming fascist wave, and the negative liberal vision of clearing space or eliminating obstacles would give way to a productive neoliberal program of finding new extra-economic conditions to protect the world economy. Mises received a Geneva professorship in 1934, and members of his seminar saw

their master off with the wish that “his strong spirit will show the League of Nations the way.”[113]

2

A World of Numbers

It is no exaggeration to say that the era of decay of the world economy was at the same time the era of international economic conferences.

—WILHELM RÖPKE

In 1929 the dream of a flat world economy turned into a nightmare. The Wall Street stock market crash initiated a sequence of events that led to the Great Depression, or, as it is known in German, "the world economic crisis" *(Weltwirtschaftskrise)*. One historian calls the 1930s the "end of globalization."[1] After its surprising recovery after the First World War, international trade slowed again as national governments sheltered domestic production behind tariff walls of unprecedented height. In the world of money, the United States suspended the convertibility of dollars into gold in 1931, followed by the British pound. The end of the gold standard meant that one could no longer assume that today's investment, even denominated in the storied world currency of the pound, would be worth the same amount in gold tomorrow. In the minds of liberals, this was an attack on not just the sanctity of money but the sanctity of contract. One German liberal claimed that this act, more than any other, had "broken the economic unity of the world."[2]

As the gold standard dissolved, the empire principle, which had suffered a blow after the end of the Habsburg and Ottoman Empires, revived as the European powers relied on their colonies and commonwealths for raw materials traded behind tariff walls in imperial blocs. To the liberal viewer, the world of the 1930s was in segments. The barricades pictured on Clive Morrison-Bell's tariff walls map extended south from Europe to encase overseas territories like India, Algeria, the Gold Coast, and South Africa.

The world economy presented as a honeycomb of walls built from "tariff fortifications."[3]

For liberals it was a painful irony that the world economy came into focus as a totality in statistics at the very moment it seemed to vanish in real life. The global economic crisis led to proposals for global economic solutions, with the League of Nations leading the way. In the words of one historian, the injunction of the 1930s was to "look at the world."[4] Economic data proliferated. The secretary general of the International Chamber of Commerce (ICC) remarked in 1937 that "there are so many different sources and centres of information scattered throughout the world having no connexion one with the other that business men and economists find themselves almost drowned by a veritable flood of pamphlets, statistical bulletins, reviews and papers."[5] The plans for the universal exposition in Paris in 1937 expressed the spirit of the decade with its plans for a Lighthouse of the World twice the height of the Eiffel Tower. Visitors would drive their own cars up ramps spiraling the concrete structure half a mile in the sky; according to a fanciful accompanying illustration, visitors would see as far as Belgium, Spain, and England.[6]

While the World Congress of Universal Documentation was held during the Paris Exhibition, nowhere was the global idea more at home than in the quaint town of Geneva, where the stripped classicist Palace of Nations stood like a secular temple to the idea of the international.[7] The tenants of a single building, the Palais Wilson, which opened on the shores of Lake Geneva in 1937, suggested the diversity of approaches to the world. Among the thirty organizations housed in the former hotel were the Carnegie Endowment for International Peace, the New Commonwealth Institute, the International Labour Organization, the World Alliance for Promoting International Friendship through the Churches, the International Council of Women, the International Bureau of Education, the International Migration Service, the World Association for Reform of the Calendar, the World Narcotic Defence Association, and the Universal Esperantist Association.[8] In the 1920s and 1930s, Geneva was confronting not only the problems of the world as individual concerns, but the problem of the world itself—how to manage the globe as a whole. "The famous 'Spirit of Geneva,' " said one observer in 1931, "may well prove to the embryo of a future world

patriotism."[9] The city seemed like the only candidate for the capital of the world polity that H. G. Wells called Cosmopolis.

The world economy came into being in the 1930s in Geneva on paper and in numbers through the efforts of economists to understand the causes of the Great Depression and seek remedies for it. The head of the League of Nations economic section, Arthur Salter (who later joined the Mont Pèlerin Society), wrote in 1932 that the Depression "has at least done one thing which may in future prove of great value. It has revealed the anatomy of the world's economic structure."[10] The core group of the future neoliberal movement either relocated to Geneva or passed through the Swiss city in the 1930s. In the 1920s and 1930s, they were all involved with projects of either creating statistical portraits of the national and world economies or seeking to understand their cyclical rise and fall. In 1927 Mises and Hayek expanded their cooperation with the ICC to found a Business Cycle Research Institute in the offices on the Stubenring in Vienna. This job led Hayek to the center of global economic research in Geneva. The League hired Gottfried Haberler, a colleague of Mises and Hayek's, for a major study of the world economy beginning in 1934. In 1937 Wilhelm Röpke, a central figure in the neoliberal movement, also moved to Geneva, recruited for a global study of the effects of changes in world trade and production. Historians refer to the famous 1938 Lippmann Colloquium in Paris as the "birthplace of neoliberalism."[11] They rarely note, though, that it was only one episode in a decade of overlapping projects devoted to studying the conditions of "the Great Society," not at the national level but at the scale of the globe.

Neoliberalism was born out of projects of world observation, global statistics gathering, and international investigations of the business cycle. Why is this fact so often missed by historians? Part of the reason is that the ultimate conclusion of neoliberals about the Great Depression and its aftermath was that numbers were not enough. Even as techniques of planning gained traction both in Geneva and in the mainstream of the economics profession by the end of the 1930s, neoliberals rallied around the belief that neither statistics, nor mathematically informed theory, nor the nascent science of econometrics would suffice to forecast or stave off future crises. They even thought that the increasing sophistication of such approaches might, counterintuitively, be increasing the likelihood of

another crisis by fostering the false faith that science could make the world economy crisis-proof.

As Röpke and Alexander Rüstow wrote in their contribution to the 1938 Lippmann Colloquium, "recent advances in purely economic analysis have done much to make us understand better the mechanics of economic oscillations. But here again refinement in detail has been bought at the price of blindness towards the extra-economic contexts which constitute the problem of reality."[12] Perhaps most radical was Hayek's conclusion in that decade, building on an earlier skepticism about statistics cultivated in Viennese debates, that comprehensive knowledge itself would always—and must always—elude the economist because of its necessary dispersal among all members of society. For him, to climb the Lighthouse of the World in search of a synoptic view from which to direct and plan was only the setup for a long fall.

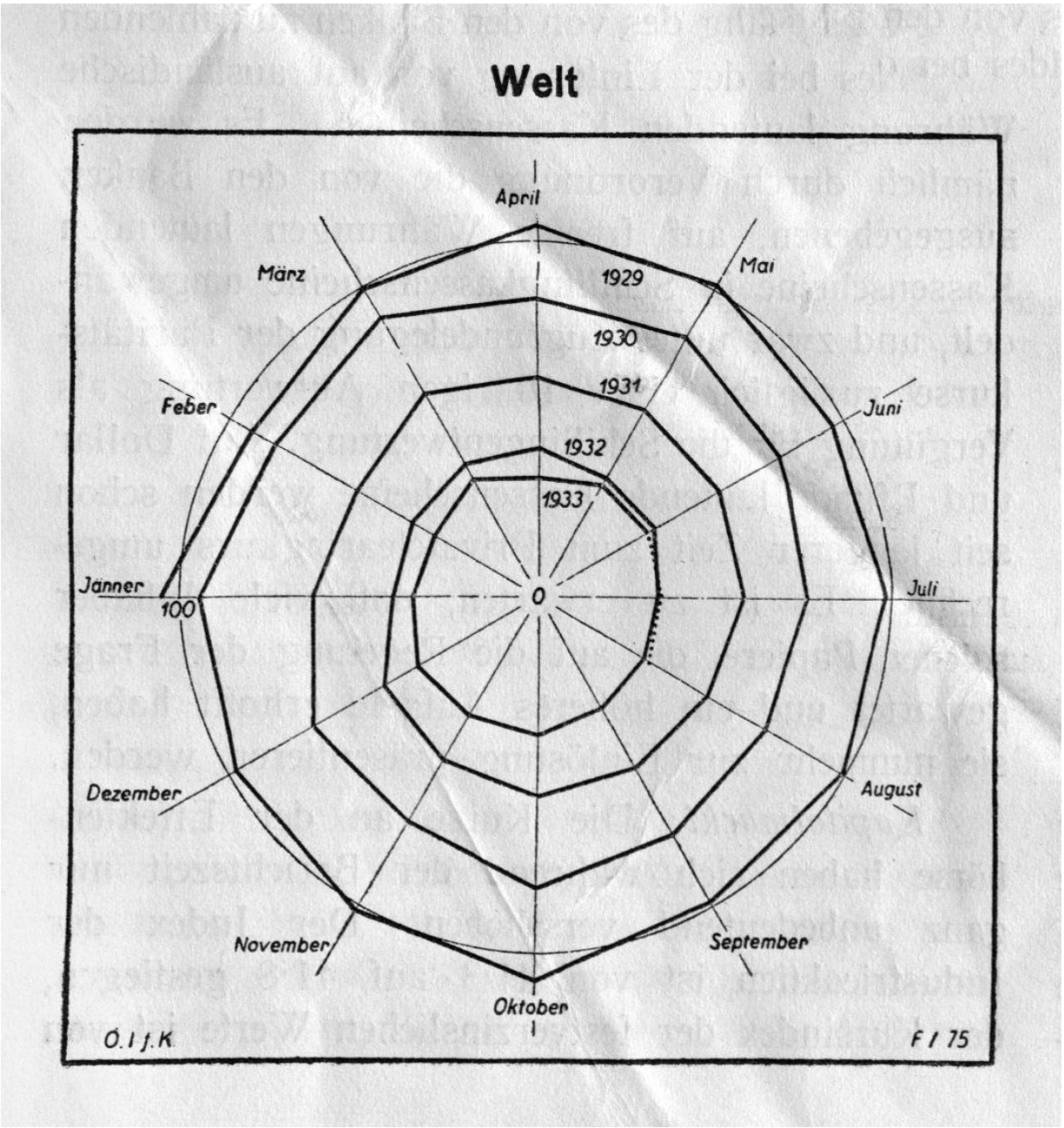
By the end of the 1930s the Geneva School neoliberals agreed that the most important pillars of integration could not be represented or understood through graphs, charts, tables, maps, or formulas. They redirected their attention to cultural and social bonds but also to the framework of tradition and the rule of law, all of which they perceived to be disintegrating in the 1930s. The road away from statistics and business cycle research led neoliberals to, as they put it, think in orders. From that point onward they sharpened their focus on designing institutions that would best safeguard the market. The world economy must be defended, and Geneva School neoliberalism would be defined by the search for state and legal forms that were up to the task—at the level of the nation but also, more importantly, at the level of the world.

THE RISE OF BAROMETER VISION

One of the most famous images used to illustrate the Great Depression is the so-called Kindleberger spiral.[13] In an eye-catching circular graph, it tracks the relentless decline in the volume of world trade from January 1929 until June 1933. Though known by the name of the American economic historian who popularized it, the diagram might more accurately be called either the Morgenstern spiral, after the Austrian economist who created the

form of representation, or the Condliffe spiral, after the first creator of a popularized version. Its parentage and its peregrinations capture the international collaboration networks of the time. Oskar Morgenstern first used the spiral to show the declining foreign trade of Austria in April 1933.[14] It then appeared expanded to the scale of the world in a newspaper notice for the World Economic Conference in London created by the Swiss Bank Corporation, and appeared soon afterward in Geneva as the lead image in the League of Nations' second ever *World Economic Survey* prepared by J. B. Condliffe.[15] By November, the globalized spiral reappeared in Vienna.[16]

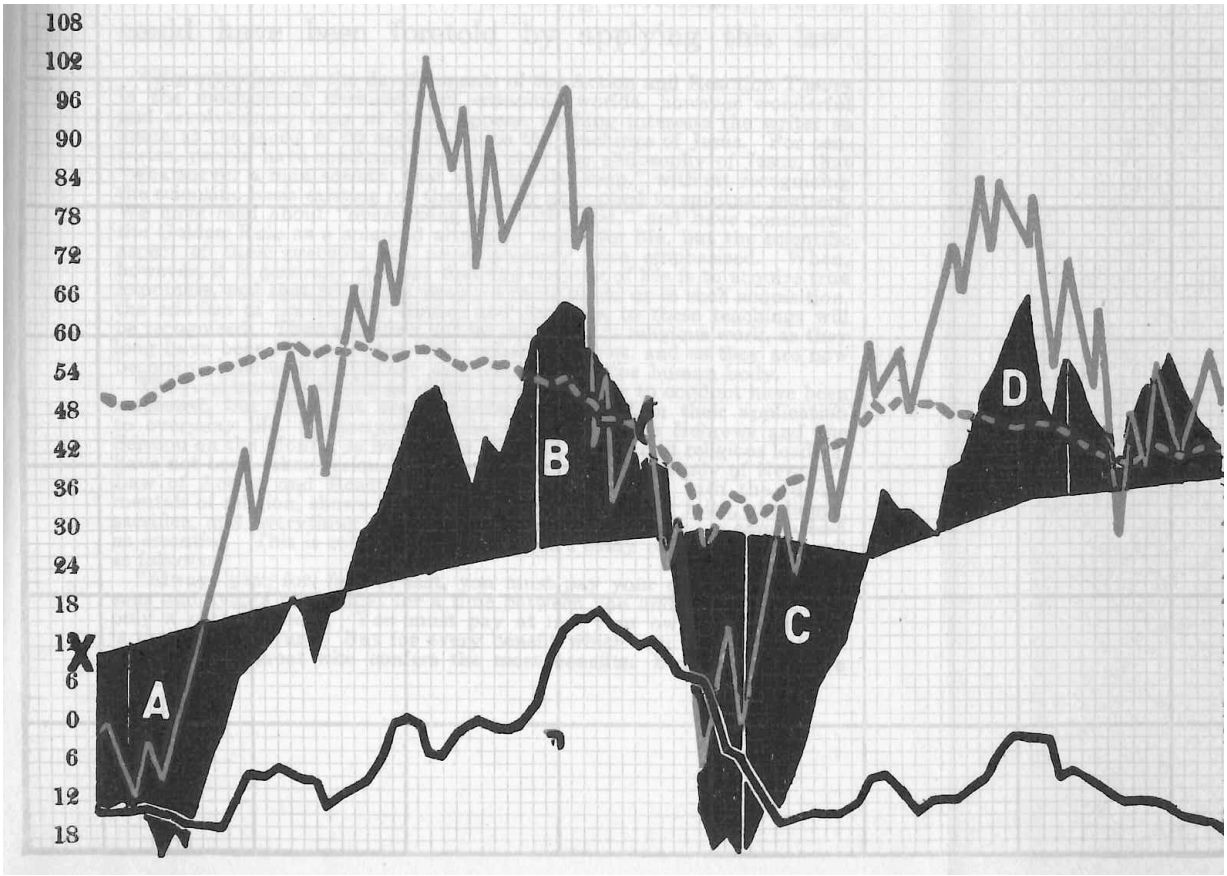
The Viennese publication that featured the spiral was the monthly report of the Austrian Business Cycle Research Institute founded by Mises and Hayek in late 1926 and housed in the Vienna Chamber of Commerce building. Morgenstern took over its direction from Hayek in 1931. Understanding the business cycle was the central intellectual challenge of the 1920s and 1930s for economists. By the early 1930s, Geneva was the hub of such efforts, with spokes extending not only to Vienna but across Central Europe, over the English Channel, and traversing the Atlantic. At stake was the question of whether it was possible to predict the future. By finding the right aspects of economic life to capture and compile in numbers, would it be possible not only to comprehend but also to forecast what Columbia University economist Wesley Clair Mitchell called in his foundational work from 1913 "the complicated processes by which seasons of business prosperity, crisis, depression, and revival come about in the modern world"?[17] Although research into the business cycle began before the First World War, it boomed afterward. The U.S. government funded its study, and business cycle research institutes were established throughout Europe and in the Soviet Union.[18]



The spiral of decline in world trade. *Monthly Report of the Austrian Business Cycle Research Institute*, November 1933.

One of the preoccupations of researchers was how to express the business cycle visually—how to make the invisible market visible. Techniques of illustrating the business cycle had originated with private services for investors. As the stock market boomed in the 1920s and ever more Americans had wealth bound up in finance, there was a ready market

for advice that might offer an advantage. Charts and diagrams offered information about the direction of economic activity that could be consumed at a glance. Through such visualizations, one scholar argues, the popular reports like those of Roger Babson gave readers a sense "of 'the economy' as a complex but unified system that operated according to its own internal logic."[19] A chart of "fundamental conditions," for example, aggregated a range of data into a single sinking and rising line, turning time into a topography of economic chasms and peaks.[20]

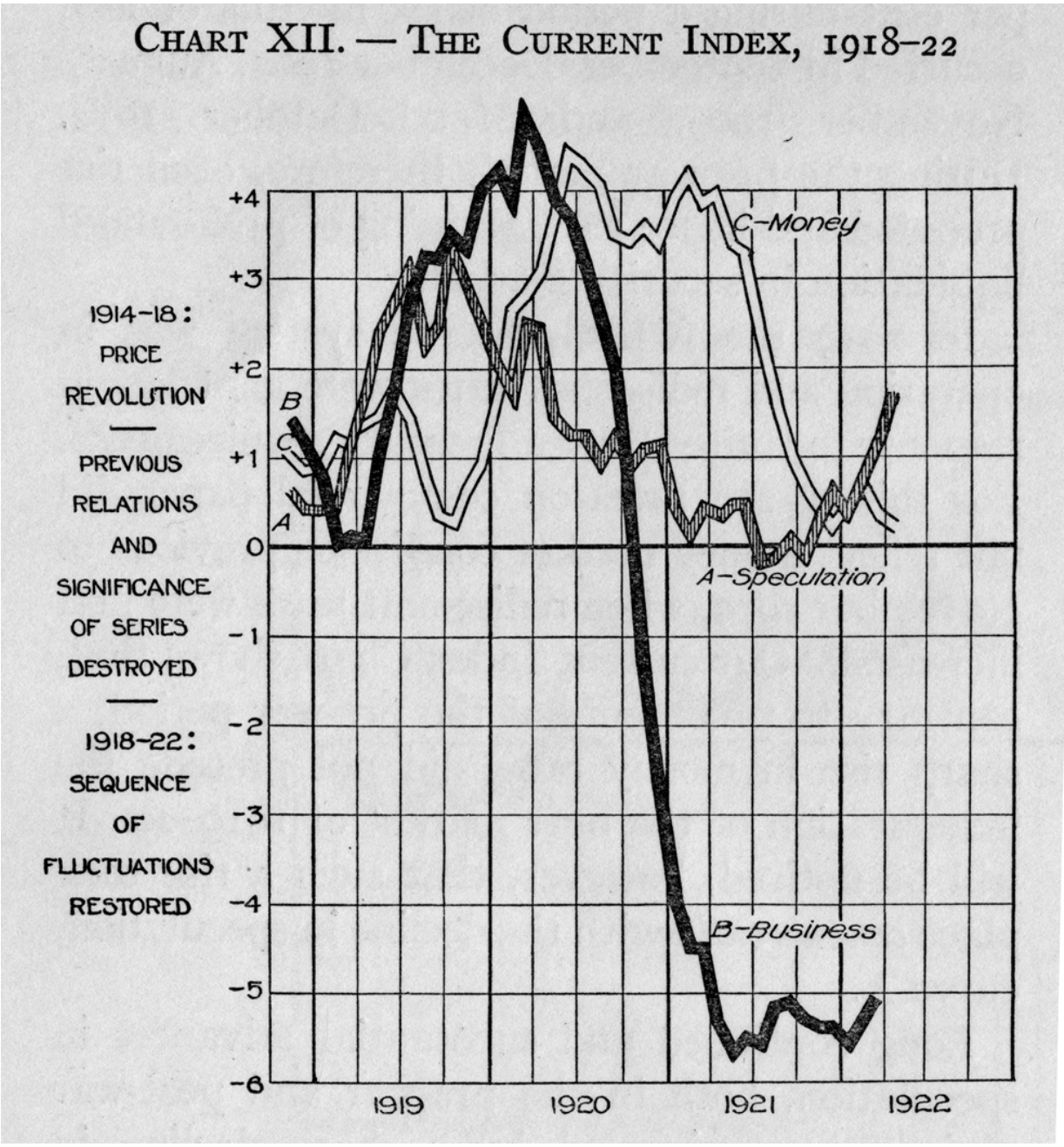


Babson's economic chasms and peaks. Roger W. Babson, *Business Barometers Used in the Accumulation of Money: A Text Book on Applied Economics for Merchants, Bankers and Investors,* 4th ed. (Wellesley Hills, MA: Babson's Compiling Offices, 1911).

Predictions of the economic future based on the compilation of statistics (represented visually) were collectively called "business barometers." By the 1920s the leader in the field was the Harvard Committee on Economic Research's "three cycle" barometer. The A, B, and C curves of the Harvard

barometer stood for "speculation, business, and money," roughly drawn from price movement of stocks, commodities, and the loans and credits of major banks. By observing recurrent lags between these three indicators, barometer readers believed they could forecast the change in business conditions over time.[21]

The metaphor of the barometer implied that the economy was like the weather, a sphere outside of direct human control. One could adapt Adam Smith's famous metaphor of the invisible hand to speak of the invisible *wind* of the market, captured in charts and graphs. The economic conditions portrayed in three lines were experienced as a unity but were actually composed of innumerable tiny organic processes, of which we could perceive only the effects in the aggregate. The barometer metaphor went in two directions. As Hayek noted in 1927, it seemed to make the future legible to the common person. Yet the barometer "only appears to forecast the coming weather to the lay person, but actually only measures the height of the current air pressure," suggesting only a probability. A meteorologist —or economist—had access to the broader context, meaning that "the simple observation of a business barometer can never replace the judgment of a given situation based on knowledge of the causal relationships between all the available facts."[22] The "wave movement" captured in the chart "can only be explained by the autonomous laws of economic life," and, Hayek insisted, only the economist understood those laws.[23]



The three lines of the Harvard Economic Service Barometer. Warren M. Persons, *Interpretation of the Index of General Business Conditions* (Cambridge, MA: Harvard Economic Service, 1922).

The goal of what one could call barometer vision was, as Austrian statistician Karl Pribram put it, "the discovery of the laws relating to the sequence of economic fluctuations."[24] The barometer metaphor helped reinforce the authority of the economist as being akin to that of a scientist, conveying the phenomena of the world in a digestible form for the

layperson while preserving the economist's monopoly on the secrets of causality. In 1932 Fritz Machlup, a member of the Mises Circle, expressed the idea of economist-as-scientist in a newspaper column, writing that "the laws of economics apply even if the minister, the banker, and the parliamentarian does not know or recognize them, just as the laws of physics are not swayed based on whether some technician adheres to them or not."[25] The barometer simultaneously revealed and concealed the truth of economic life.

It is significant that barometer vision saw the world at the scale of the nation. The national economy was the object of observation and the subject of action. A related metaphor of the time, originating with the British economist (and later architect of the welfare state) William Beveridge, cast graphic depictions of the cycle as the "pulse of the nation."[26] Dutch researcher Willem Einthoven had been granted the Nobel Prize for Medicine in 1924 for his pioneering development of electrocardiography, creating a means for measuring the pulse of the human heart on a line chart over time.[27] Business cycle research—and the visual technique of the business barometer—helped place the economist alongside the medical doctor as the master of an esoteric branch of knowledge amenable to a mode of representation comprehensible to the average person. As one historian has observed, the 1920s were a time when economics became understood as a domain of technical expertise beyond politics.[28] The chart was an accessory in this shift. The suffering and thriving national economy was made visible in the line of the chart, and the root causes of individuals' pain or prosperity could be seen too.

BUSINESS CYCLE RESEARCH AND THE MODERN STATE

Institutes responsible for studying the business cycle became standard features of the modern state between the two world wars. Most European states had their own business cycle institute by the time of the Great Depression, and scholars have shown how the League began to export this model of research into Asia by the 1930s.[29] One of the most important centers worldwide was the National Bureau of Economic Research (NBER) in the United States, which took up a special role of providing economic

advice during Herbert Hoover's administration. The NBER was a product of transatlantic exchange. Its first president, from 1920 to 1933, was Edwin Gay, who had studied economics for twelve years in Germany before joining Harvard in 1902.[30] Hayek visited the NBER, and its influential director of research, Wesley Clair Mitchell, during the year he spent in the United States in the early 1920s. He also met Charles Bullock, the director of the Harvard Economic Service, who recalled being favorably impressed by the young Hayek.[31] Hayek brought the idea of business cycle research back to Austria with him.[32] In his words, he imported "from America a new idea of great predictions."[33] He wrote to Mitchell in 1926 that his efforts then embodied "some of the slowly ripening fruits of my sojourn in the United States."[34]

Mises and Hayek led the campaign to establish a permanent home for business cycle research in Vienna. "In a time when the entire civilized world makes decisions and arrangements on the basis of the knowledge of economic and business cycle institutes," they wrote, Austria "would demonstrate to the world either a shameful, indolent backwardness to its own disadvantage or a mistrust-producing insincerity and secretiveness that would surely place its creditworthiness in question."[35] To be against the institute, they wrote, would be to be "against progress." Here as elsewhere, Mises and Hayek made a case for the centrality of the economist in the conduct of the modern state. Economic knowledge was a central fixture of modernity. A state unequipped with economic research was doomed to fall behind in the race of nations.

Because taking the pulse of the nation put the economist in the position of the scientist or medical doctor, on this view, the economist was entitled privileged access to the internal workings of private business. The first challenge to trying to understand the business cycle was getting access to the data. Mises and Hayek argued that it was necessary "to overcome the life-threatening secretiveness of Austrian enterprises and organizations." In their view there was no private ownership of economic knowledge. Internal operations of private business must be made transparent to the gaze of the economist. To be a good economic citizen—for one's own future prosperity—meant a necessary disclosure of internal operations.

What made the very demand of access thinkable was the rupture of the First World War. One of the pivotal figures in Central Europe was Walther

Rathenau, the chairman of the AEG electrical engineering company who had held the official title "raw materials dictator" for imperial Germany during the First World War. Hayek attributed the beginning of his "interest in economics" to Rathenau and "his ideas about how to reorganize the economy."[36] Rathenau's achievement was to batter down the wall between the state and business. This was being done at almost exactly the same time in Russia in the course of the Russian Revolution. Yet Rathenau may have been the more influential in the long run because he kept the institution of private ownership intact. Rathenau created transparency of the activities of capitalists without expropriating the capitalists themselves. The kernel of private property was salvaged. Although the dictates of the wartime economy were extreme, the loss of the inviolability of business information carried over into the era after Rathenau in all the countries that had undergone the First World War. On both sides of the conflict, total war meant subordination of the entire nation's energies toward mobilization. In the case of inter-Allied cooperation, it also meant cooperation beyond the nation. Large-scale economic planning and statistics collection entered the repertoire of modern statecraft during the Great War.

As mentioned in Chapter 1, the idea of businessmen opening their account books beyond the firm represented a revision of the classical liberal vision. The privacy of the businessman was no longer sacred. In business cycle research, social science was applied to the market, but not—as had been the case of the movements of "social reform" and progressivism—in order to moderate the disruptive effects of capitalism on everyday working people. "The social" or "society" had been conceived in many ways, parallel to but in opposition to "the economy," as a domain of nonmarket values and properties that needed to be preserved against the potentially corrosive effects of unregulated private enterprise. (This implication is preserved much more clearly in German, where the term "sozial" has a normative edge, implying social reform as opposed to the more neutral category of *gesellschaftlich.*) The Verein für Sozialpolitik is the archetypical case of this form of *sozial* policy, and its lead was followed from Japan to Ireland to the United States. Much of the business cycle research of the 1920s was a different beast. Here economic knowledge was more commonly being developed to maximize rather than moderate the effectiveness and scope of the market. The business cycle research institutes

were the "eyes" that would see the activities of business to help business better see itself. Hayek referred to the institutes as "business cycle observation services" and to the gathering of statistical data as a "new means of observation."[37] Charts would be mirrors that enabled deeper self-understanding.

As the metaphors suggest, the visual aspect was key. Mises and Hayek wrote that information needed to be prompt and displayed in a form that could be easily grasped.[38] Mises and Hayek described the most important thing as the "pedagogical value of constant reference to the cyclical nature of business cycle movements offered by regular business cycle reporting. It allows for a planned distribution of investments over a long period of time as well as for the selection of the time point for public works."[39] The research institute was to provide useful knowledge, providing data about the pulse of the economy in a way that could advise both the private and the public sector about how to coordinate their activity. Both the businessperson and the statesperson needed to be trained to understand the cycle.

The efforts of Mises and Hayek succeeded in late 1926. The Austrian Business Cycle Research Institute was officially constituted on December 15, 1926. Hayek became its director in January 1927, with a secretary as the only other staff member.[40] The Austrian liberals linked their work immediately to international circles. In November 1926 Mises communicated with Alexander Loveday, the head of the economic section of the League of Nations, who welcomed the new institute and promised to bring it into the circuit of distribution for the international projects organized out of Geneva.[41] In January 1927 Hayek and Richard Reisch wrote to the League about the new institute. They said that its research would be both historical and current. It would create a time series that extended well before the war, and would also continue to collect data in collaboration with neighboring countries.[42]

The Austrian Institute used the "three-cycle barometer" of the Harvard Economic Service. Like other barometers, they produced portraits of the nation in numbers and time. In their first report, they produced a three-cycle barometer chart of Austria up to the outbreak of the First World War.[43] In another chart offered as an "example of the methods of representation used in the reports," the Austrian Institute distilled the economic health of the

nation down to a single line. The curve was said to "represent an average of the movement of the most important figures characteristic of the course of business in Austria."[44] The dips are explained by strikes and labor shortages, and the spikes by local and international events. For a businessperson or an interested citizen, the single line marked the passage of history through the eyes of economic data: politics subordinated to the rise and fall of an abstracted market climate.

The national frame of the business barometers made sense for the homeland of business cycle research—the United States—which had the largest domestic economy in the world. But even there the importance of global events led the Harvard Economic Service to internationalize its research in the mid-1920s. Hayek's first encounter with John Maynard Keynes came at a gathering of forecasters coordinated by the Harvard Economic Service at the London School of Economics (LSE) in June 1928.[45] For his part, Hayek realized early that the nation-state frame did not transfer well to smaller countries. Austria and other postcolonial successor states in Central Europe were much more dependent on the business cycles of neighboring countries than larger countries or empires were. The precariousness of the position of the dissolved Habsburg Empire meant that foreign economies mattered more. In 1927 Hayek wrote in an industry magazine that small countries might have economies very different from those surrounding them, but they were nonetheless interdependent.[46] Without a vast internal market or a vast overseas empire, no nation could afford to ignore its neighbor.

Hayek sought to coordinate with other Central European countries and began to think in more theoretical terms about how one could practically begin to create a synthetic statistical portrait of the region. In March 1928 he organized a conference of Central European business cycle research institutes, which included representatives from Hungary, Poland, and Czechoslovakia, as well as Adolph Löwe from the Kiel Institute for the World Economy, and Paul Rosenstein-Rodan, one of the future founders of development economics.[47] In his invitation, Hayek pointed out that "the attention to the economic development of neighboring states is possibly as important as the economic situation of one's own country."[48] He cited the conclusion of an expert gathering in Geneva in 1926 that "in a country largely dependent upon external markets, more specially in the case of

certain European states, a barometer based wholly on data referring to national phenomena would in all probability prove inadequate to foreshadow the trend of economic life, since the business of that country will tend to follow the variations in the prosperity of the market upon which it is dependent."[49] In pursuit of this portrait of economic health beyond the nation, Hayek called for a regularized exchange of economic data among the Central European states, to produce a "complete picture of the economic situation of the larger region and investigate the mutual dependency of smaller economic areas."[50] It was the very peripheral status of countries like post-imperial Austria that made it necessary to be attentive to the whole. Economic information was effectively proposed as a way of resolving problems that rose at the end of empire. In creating connections to economists in successor states, Hayek and others sought to knit back together the former Habsburg space through the exchange of data, enabling the restoration of market relationships. In the absence of the political unit of the empire, economic experts proposed a network of information.

After the stock market crash of 1929 and the onset of the Depression, funding from the United States helped to move into reality the vision of a Central Europe interconnected by streams of information. Edmund E. Day, statistician and economist, became the director of the Rockefeller Foundation in 1929 and made "scientific inquiry in the field of industrial hazards and economic stabilization" the primary focus of funding.[51] In the five years after the crash, the Rockefeller Foundation earmarked close to $18 million to research in social sciences, a colossal investment in the power of knowledge to solve social and economic problems.[52] Vienna was the first business cycle institute in Europe to receive Rockefeller funding, with a grant of $20,000 in 1931 that was a windfall in economically depressed Austria.[53] Hayek's vision of a network of Central European data sharing was brought closer to realization by funding for economic research institutes in Bulgaria, Romania, Hungary, and Poland.[54]

The League of Nations–sponsored International Studies Conference and the Carnegie Endowment for International Peace took up research on the Danubian region in the late 1930s. Studying the dissolved Habsburg Empire would provide a first version of what would be called area studies after the Second World War, with a region of formally independent states being examined as an interdependent economic unit. Hayek's collaborations were

an important step in beginning to think about the business cycle and the business barometer beyond the scale of the individual nation. The predicament of post-imperial Austria directed attention outward to neighboring nations and the world beyond. The pulse of the nation was not enough. What was necessary, Hayek made clear, was the pulse of the region and the pulse of the world.

THE PULSE OF THE WORLD

F. A. Hayek's work at the Austrian Business Cycle Research Institute brought him into contact with the center of world economic research in Geneva. Alexander Loveday supported Hayek's efforts to create a network of Central European business cycle research in 1928.[55] In early 1931 Loveday invited Hayek to Geneva as the representative of the Vienna Institute for the first international gathering of economists taking the measure of the world after the stock market crash.[56] Loveday thought highly of Hayek. In March 1931 he wrote to Morgenstern, regarding the origins and causes of the Depression, that "there is nobody in Europe so well fitted to go into these points as yourself and Dr. Hayek."[57] By that year, institutions were already in the process of dissolution. As Hayek left Vienna for Geneva, the venerable Creditanstalt bank was unraveling and would declare bankruptcy by May, initiating a series of bank failures that sped the fall of Central Europe into depression. The meeting in Geneva was not a casual conclave of academics but had the urgency of economic triage. As Loveday put it, it was an attempt to cast "eyes beyond the abyss of the immediate future to the vaguer hazards of a more distant horizon."[58]

The convener of the meeting was the Swedish economist Bertil Ohlin. He had gathered reports from the invited economists about the business cycles in their respective countries. Such international coordination was felt to be necessary because "whereas a number of pre-war depressions were confined to a relatively limited area, to-day their repercussions are felt throughout the world." "The world problem," the experts concluded, "should be studied on a world basis."[59] Although phrased differently, the goal was the same as the Chilean-German statistician Ernst Wagemann had proposed in 1928: to inquire if there was "a world-economic, as well as

national-economic, business cycle."[60] The conclusion of the gathered economists in 1931 was unanimous: even if solutions were still elusive, they should be sought at the scale of the world.[61]

The first step to approaching the "world problem" was to make the data comparable. The League of Nations had begun to standardize world economic statistics after the First World War. In 1920 it set up an International Statistical Commission with members of the International Statistical Institute, the International Institute of Agriculture, and the International Chamber of Commerce. It began publication of the *Statistical Year Book* in 1927.[62] In 1928 a meeting called to ratify an International Convention on Economic Statistics was attended by delegates from forty countries, and they created a Committee of Statistical Experts.[63] The process of standardizing and gathering world statistics led to the creation of a new kind of global vision. Condliffe, one of the experts in charge of the process, wrote that "the economists who do so are international not only in being drawn from different nationalities, but also in being able, nay, in being compelled, to interpret their data from a non-national viewpoint." Creating statistics was globalizing, in the sense of producing a single world picture and changing the mentality of the economists themselves. "As the data from one country fit into those from another," Condliffe wrote, "they see the world as a developing economic organism."[64]

Mises wrote in 1928 that "for the liberal, the world does not end at the borders of the state.… His political thinking encompasses the whole of mankind.[65] The statistical globalism of the League of Nations gave a numerical tangibility to this vision. Ohlin's report after the 1931 meeting reinforced the idea of what he called international "interdependencies" and the inability of states to escape the push and pull of global economic forces.[66] In 1932 Arthur Salter referred to the "collective laboratory work" on the problem of the business cycle, analogizing economists to natural scientists working on a problem that would have a definitive solution.[67] Beginning the same year, Condliffe oversaw the publication of the new annual *World Economic Survey,* which he described as a "natural sequel" to the international project of collaboration initiated by Ohlin.[68] The second survey included Morgenstern's adapted spiral of world trade; the Vienna Institute was part of the project of making the world economy seen and

known as a space of unified processes. They were helping create a world economy of numbers.

Links between the Mises Circle and Geneva deepened when Haberler was appointed in May 1934, on Hayek's recommendation, to write the follow-up volume to Ohlin on theories of business cycles and the Depression.[69] As we saw in Chapter 1, Haberler used the model of the spaceless world to build his analysis, equating tariffs, distances, and the actions of organized labor as comparable obstacles to the optimal distribution of the world's resources. Even if he was unsuccessful in proving it scientifically, he saw it as a matter of fact that business cycles could be internationalized. "For a hundred years or more," he wrote, "the economic connections between most countries in the world, industrialized countries as well as agricultural and raw-material producing countries, have become so intimate and international trade so important for the various national economic systems that a closer connection between the ups and downs of the business cycle in different countries is to be expected." The "bacillus of boom or depression," he wrote, travels freely "from country to country."[70]

Even if causality remained opaque, the Great Depression had made the interconnection of world economic activity commonsense in expert circles. At the March 1931 meeting of the American Economic Conference, Ernest Minor Patterson said, "[It is] now painfully trite to observe that the world is an economic unit. Each area and each economic group is more than ever before dependent on the rest and every irregularity in the operation of any part of the world's economic machine has widespread effects." Yet despite this fact, "the approach of the economists has been largely a national approach." The exceptions he mentioned were the International Chamber of Commerce and the League of Nations.[71] Acknowledging that an interconnected world economy existed was one thing. What to do about it was another. In 1936 Loveday gathered an august group of economists to discuss the first draft of Haberler's report. The meeting included figures who would be central to the neoliberal intellectual movement, including Lionel Robbins, Wilhelm Röpke, and Charles Rist.[72] Hayek was unable to attend, as Robbins was acting as the representative from the LSE.[73]

In its form, Haberler's study and the conference convened to discuss it inaugurated something Robbins called the "Haberler-like method."[74] The

method entailed group research on “a big subject” followed by a larger meeting of experts to evaluate the results. The Haberler method established a form for international collaboration and data gathering, a halfway point between abstract economics and empirical statistics with nothing less than the entire world economy as the object. It was organic and unbound to any one institution, gathering periodically to examine and exchange research results. The similarities of the Haberler method to the format of the postwar Mont Pèlerin Society were not coincidental. Part of the Geneva experiment was a belief in the halfway point between theorizing and the spadework of data collection and standardization.

Speaking at the International Statistical Institute in 1936, Karl Pribram, Mises’s old acquaintance from Vienna who was now a leading figure at the International Labour Organization (ILO), tracked the descent of the economists from the clouds to the earth. Economists had begun with abstract notions of a “worldwide universal economic system” but had been forced by events to “work downward from lofty theorizing to the essential realities of economic life.”[75] Wrangling with the problem of the Great Depression deepened the marriage between statisticians and economists. As Haberler put it in a letter to Loveday, he shared the goal of Mitchell and the NBER: “to bring theories and facts into closer touch.”[76] The Haberler method was about expanding the ambit of economists in public life and extending economists’ reach into the domain of government. Just like the business cycle research institutes sought to breach the walls around corporate secrecy, the activity of international institutions like the League sought to draw information out of national governments.

DOES THE WORLD ECONOMY EXIST?

The Haberler method was given an immediate second application after the initial conference to discuss the League report on Economic Depressions in 1936. One week after its completion, cars full of economists drove one hour south to the shores of another lake in Annecy, France. The conference, held at the Imperial Palace Hotel, was paid for by the Rockefeller Foundation.[77] Those gathered included Mises, Morgenstern, Alvin Hansen, Ohlin, Robbins, and Röpke.[78] The conference directly preceded a gathering

planned for Vienna to discuss coordination among research institutes.[79] Until Ohlin and Haberler's reports on the Great Depression, most of the research on the business cycle to date had been basically national. The question the Rockefeller Foundation had for the economists in Annecy was fundamental: Did the global economy exist? As the text of the invitation put it: "Is the concept 'world economy' sufficiently real to warrant subjecting it to continuous study?"[80]

The agenda, written by the Russian-born, Sofia-based statistician Oskar Anderson, put it a bit more lengthily: "Can we say that these forces possess a certain organic unity that warrants the conclusion that there is such a thing as a 'world economy'? Or are they nothing more than a physical aggregate of unrelated and disjointed forces resulting from many conflicting national programs and policies?"[81] The immediate question for the gathered economists in Annecy was how one would measure the world economy: "If it develops that there is reasonable agreement regarding the identity of these forces, it would appear logical to ask how effectively we are now capturing, recording and analyzing them." How to capture and represent the world economy? Also, should there be a "special central institute" to do so? The economists at the conference agreed on the need for an international investigation into the effects of agricultural protectionism in industrial states and industrial protectionism in agricultural states. This was relevant because it was disrupting a core aspect of liberal globalism: the international division of labor. Those gathered proposed that the study would transition later into an "international bureau of business cycle research … set up to cooperate with the various national business cycle institutes and make their findings readily available."[82]

The individual nominated to lead this would-be bureau for international observation was Wilhelm Röpke, who was put forward especially by William Rappard and Robbins.[83] Röpke would be considered one of the intellectual fathers of the postwar "social market economy" in West Germany. He was also central to the organization of the transnational neoliberal intellectual movement and will be a central figure in the chapters that follow, not the least for his determinedly globalist outlook and his emphasis on extra-economic requirements for market society, including matters of race and culture. Born in the German town of Schwarmstedt near Hanover in 1899, Röpke finished his training in economics at Marburg in

1921 and returned as a full professor in 1929. He was ejected from the university for his liberal opposition to the new National Socialist government in 1933, emigrating thereafter to a post at the University of Istanbul.[84] He was seeking a return to European academic circles, and the study looked promising.

Rappard suggested that Röpke would coordinate the multicountry study from Geneva, which Jacques Polak later called "perhaps *the* leading center of applied economics in Europe" in the 1930s.[85] The institutional base would be Rappard's Graduate Institute of International Studies. While Rappard is most well-known as the director of the Mandates sections of the League, he was also central in turning his Graduate Institute into an academic home for the neoliberal group in the 1930s, inviting Mises to the faculty in 1934, Michael Heilperin in 1935, and Röpke in 1937 as well as hosting and publishing important series of lectures by Hayek and Robbins.[86]

Rappard's own biography wove through the worlds of academia, business, and international organizations on both sides of the Atlantic. Born in midtown Manhattan in 1883, he returned to Switzerland at age fifteen with dual citizenship to settle with his family in Geneva.[87] Entering university in 1901, his academic travels before the First World War exposed him to the leading figures in economics, including Gustav von Schmoller, Adolph Wagner, and Lujo Brentano in Berlin and Munich; Edwin Francis Gay, Frank Taussig, and Charles J. Bullock at Harvard; and Eugen Böhm-Bawerk, Eugen Philippovich, and Carl Grünberg in Vienna.[88] It was through his Viennese professors that Rappard got his first position at an international institution in 1910, as one of ten employees of the International Labour Office in Basel, Switzerland, a wing of the International Association for Labour Legislation and precursor of the ILO founded in 1900.[89] In 1911 Rappard returned to Harvard to teach a course and made contacts at the Boston Chamber of Commerce, who sponsored a trip to South America.[90] He used his American connections to gain his position after the First World War as the director of the Mandates Commission.

In 1925 Rappard began conceiving of a Graduate Institute as a way to draw on the deep pool of expertise in Geneva and to cement transatlantic ties. With the notion that it might be named the Wilson Institute, Rappard saw it as a school for future American diplomats, and was consulting with

Beardsley Ruml of the Rockefeller Foundation about funding.[91] In June 1926 Ruml gave him the news that the Laura Spelman Rockefeller Memorial Fund had approved $100,000 for five years of funding for the Geneva Institute.[92]

Rappard's institute offered an important institutional hub for the future neoliberals. We will see in Chapter 3 that the model of mandates he represented at the League overlapped significantly with certain visions of neoliberal federation. Always eager to secure ongoing funding, Rappard was no doubt happy in 1936 that the Rockefeller Foundation was interested in using Röpke's study as a pilot case, as it was, as their officer put it, "an interesting experiment in the organization of investigations of this type."[93] A scale model proposed for Röpke's study of the world would be the Danubian region.[94] Röpke embraced the study of what was often called "Danubia" as a starting point but also said that more needed to be done from a " 'global' point of view."[95] He dubbed a country's desire to have its own agriculture and its own industry "economic simplicism."[96] His project was about how to dissuade countries from seeking self-sufficiency and convince them of the benefits for all that can be gained from being enmeshed in a larger whole.

Taking up his position in Geneva, Röpke described his task in March 1938 as using what he called the "Haberler method" to arrive "at a better understanding of the structural crisis of the world economy."[97] Rescued from his Turkish emigration, he was to sit in Switzerland atop what the Rockefeller funder called an "international economic observation post."[98] Ironically, as we will see, even though Röpke had every intention of turning his perch into a Lighthouse of the World, gazing down upon the earth and translating it into meaningful statistics, his move back to Europe would be the first step on the road away from the world of numbers.

THE LIPPMANN COLLOQUIUM AS WORLD PROJECT

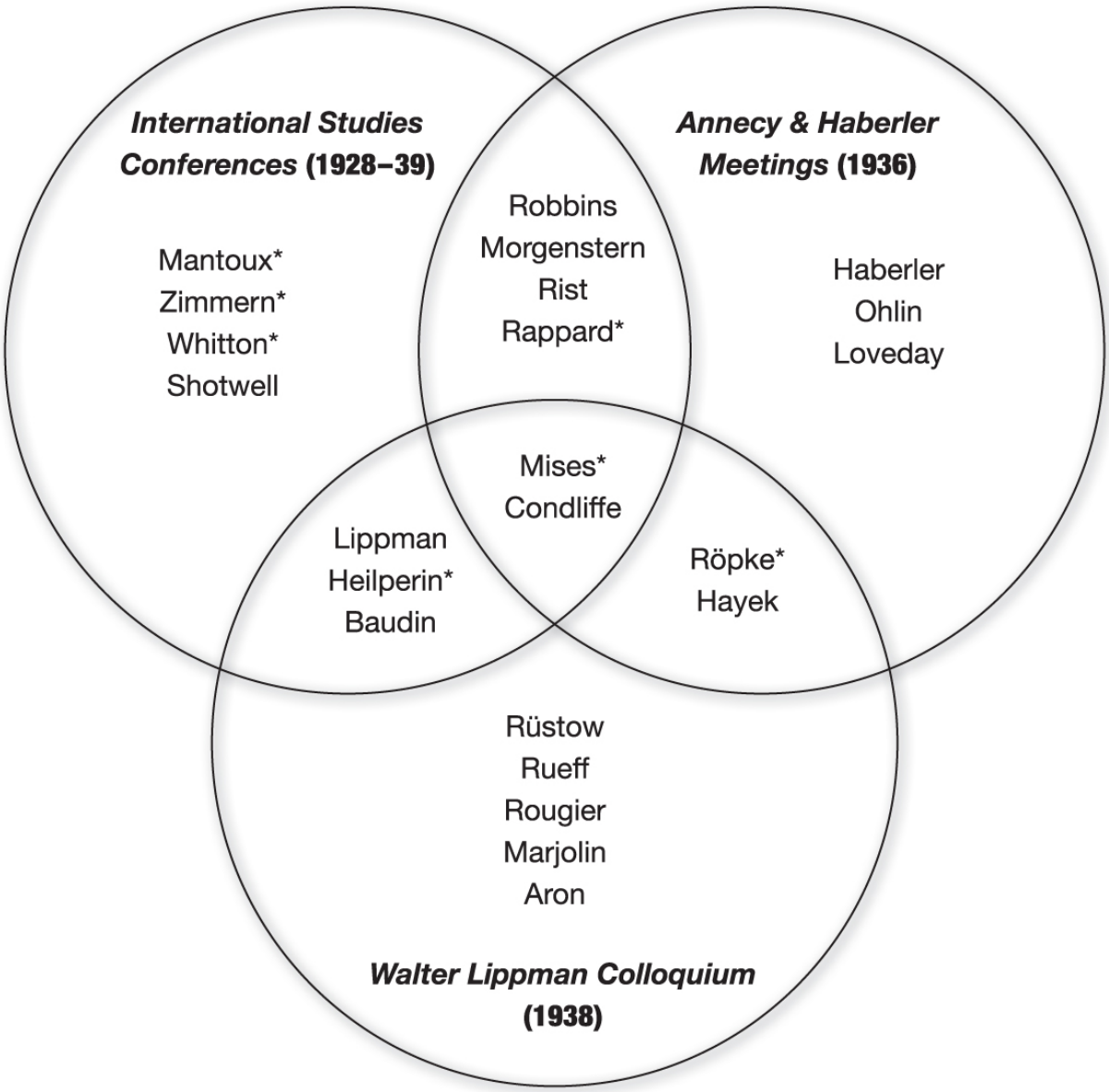
Röpke returned to Turkey after the Annecy conference to complete his contract. He remained in touch with the network of liberals from afar. In February 1937 he wrote to Lionel Robbins that he had not only been appointed to a professorship in Geneva but also had been made the

"international rapporteur" for a "vast programme of research."[99] In the summer of 1937 Hayek gave Röpke the proofs of a new book, *An Inquiry into the Principles of the Good Society,* by the American journalist Walter Lippmann. Very excited, Röpke wrote to Lippmann to tell him about his own "international cooperative study on 'International Economic Disintegration' which, of course, will bring me at every point near the questions discussed in your book." He proposed that there must be "in one form or another, a discussion among the few people in the world whose thoughts in these matters have reached the necessary degree of maturity."[100] He conveyed to Robbins that "a thorough discussion of the main issues involved" in Lippmann's book "should be organized now."[101]

In August 1938 this gathering took place in Paris facilitated by Hayek, Röpke, and the host, Louis Rougier, who had published a book with Rappard's imprint in 1935.[102] The so-called Walter Lippmann Colloquium (CWL) overlapped with two major projects of seeing the world, each of which contained its own set of institutions (and acronyms). One was Röpke's International Economic Disintegration project that came out of Geneva and Annecy, funded by Rockefeller, and closely connected to the League of Nations, business cycle research, and the Vienna cohort of Haberler, Hayek, and Mises. The second was the International Studies Conference (ISC), the first international cooperative institution of the budding discipline of international relations; the conference met annually beginning in 1928.[103] The conferences were hosted by the International Institute for Intellectual Cooperation (IIIC), which originally was part of the French government but had merged with the League's International Committee on Intellectual Cooperation (ICIC) in 1926.[104] The IIIC would survive the war and morph into UNESCO. The annual International Studies Conferences were perhaps closest to the CWL in format and spirit. They followed a variation of the Haberler method, gathering for two years on a single theme dedicated to exchanging information about schemes for managing an interdependent planet. The conferences were a place to think about the problems of the world across the disciplines. In 1935 and 1936, the theme was collective security. In 1937 and 1938, it was peaceful change. In 1939, the theme was close to Röpke's own on international economic disintegration: economic policies in relation to world peace.[105] The similarity was not coincidental, as there was much movement between

Geneva and the conferences. In 1937 the first compiler of the *World Economic Survey,* Condliffe, left the League of Nations to become the rapporteur for the ISC.[106]

There were important overlaps between these internationally networked groups of liberal economic experts and the CWL. Condliffe, for example, was in attendance in Paris in 1938. Hagen Schulz-Forberg has drawn attention to the importance of this context, pointing out that Mises contributed a study on raw materials to the 1936 ISC and Michael Heilperin wrote and circulated pieces for the 1937 and 1939 meetings.[107] Mises attended the May 1936 ISC meeting in Madrid as a representative of the Graduate Institute.[108] Röpke had tried to attend the ISC conference in 1936 but could not because of his German passport.[109] Also significant was the figure of Lippmann himself. The American coordinating committee for the ISC was the Council on Foreign Relations, and the group (also Rockefeller-funded) for the 1937 conference held in Paris listed Lippmann along with future secretary of state John Foster Dulles and international law expert Philip C. Jessup.[110] The Walter Lippmann Colloquium, in this sense, was not an anomalous gathering but very much of the time, a continuation of a spirit of international liberal collaborative research funded by the ICC, the League of Nations, and U.S. philanthropic foundations.



Overlap of participants in world projects of the 1930s. Asterisks mark faculty members at the Graduate Institute for International Studies in Geneva.

The Walter Lippmann Colloquium lasted four days and concluded with the decision to create an International Study Center for the Renovation of Liberalism in Paris with Swiss, English, and American outposts overseen by Röpke, Hayek, and Lippmann, respectively.[111] On the suggestion of the French industrialist Louis Marlio, a major player in the creation of an aluminum cartel in the 1920s, the label on which the gathered thinkers settled for their shared ideology was "neoliberalism."[112] The French center

for the new movement was to be housed in the Musée Social, a building originally created to hold the documents from the Social Economy exhibition of the 1889 Paris Exhibition. Called a "social laboratory for modern France," the building may seem like an unlikely headquarters for the just-born neoliberal movement.[113] Yet, as scholars have noted, the discussions at the CWL hardly conformed to a caricature of market fundamentalism.[114] Instead participants took a range of positions, many of which clustered around accommodation for some form of intervention and a welfare state.

Lippmann's text left itself open to such appropriation. The American journalist was scathing about what he called the "fallacy of laissez faire," by which classical liberals ended up as uninspiring apologists for the status quo.[115] In this, he reflected the interwar zeitgeist. In 1924 Keynes had already famously declared "the end of laissez faire" and suggested a rethinking of the state necessary to safeguard the market.[116] In Lippmann's view, by disavowing the need for a strong state, and especially a legal framework, to preserve the conditions of the market, nineteenth-century liberals had effectively approved of whatever conditions happened to prevail. In the phrase that was attached to the center established in his wake, Lippmann called for a "renovation of liberalism" that not only acknowledged the necessity of institutions in preserving the market but also sanctioned a startlingly broad palette of measures one would identify with the welfare state: from eugenics and education to public works and urban recreation facilities.[117] These services would be paid for through taxes on the wealthy, skimming off what he called "excess capital."[118]

The most striking feature of Lippman's book and the colloquium organized around it was that thinkers like Röpke and Hayek, who were otherwise skeptical of such forms of intervention and redistribution, would be so enthusiastic about it. One could surmise that what was most liberating about the book was not only the public attention it drew, dangling the possibility of a return to currency of the liberal cause, but also how far it was from the technical jargon of the League of Nations and the arcane details of business cycle research in which many of them had been entrenched in the late 1920s and early 1930s. By the late 1930s at the latest, it had become indisputable that all of the statistical facts in the world were

not adding up to a restoration of the shattered world that Mises had identified in the 1920s.

Ahead of the conference Röpke and his co-author, the German sociologist Alexander Rüstow, put the matter most bluntly when they observed that "men and means have been mobilized during the last ten years, on an unprecedented scale.… Facts have been piled up sky-high, conferences have been held in endless procession, economic analysis has been brought to an ever greater degree of refinement (and incidentally to an ever greater degree of unreality), vast and detailed programs of research are being elaborated complicated machineries of institutionalized science set up and questionnaires sent to almost every country and to every section of the population" and still nations were becoming less rather than more united.[119] Röpke later remarked in a rueful line that serves as the epigraph to this chapter: "It is no exaggeration to say that the era of decay of the world economy was at the same time the era of international economic conferences."[120]

In such an atmosphere of information glut and ineffectual data overload, what was likely refreshing in Lippmann's book was his emphasis, not on the factual and economic, but on the political and sociological aspects of liberalism. While he engaged with economic matters throughout, the economy was cast not as a space of numbers and cycles but of values and order. In fact, one of the core arguments of Lippmann's book, largely adopted from his reading of Mises and Hayek, was that it was naive and damaging to try to carry out what he called the "overhead control" of the economy by "intelligent authority."[121] He drew on the Austrian thinkers extensively to critique what he called "the illusion of control" in social and economic life. He derided the attempt to fully capture and comprehend the vast coordination of human energies that was carried out, largely unplanned, by people driven only by the free movement of prices. No mass of "statistics, censuses, reports," he wrote, could add up to sufficient knowledge to plan the process from above.[122] In what could be read as an implicit critique of both socialist planning and attempts to perceive the entirety of economic life through business cycle research, Lippmann wrote that "to the data of social experience the mind is like a lantern which casts dim circles of light spasmodically upon somewhat familiar patches of ground in an unexplored wilderness."[123] He summoned the divine. "Social

control," he wrote, "can never be regarded as even an approximation to the kind of mastery which men have ascribed to God as the creator and ruler of the universe."[124]

What to do in the face of a "social system" in which "innumerable elements are interdependent and interacting"?[125] Lippmann did not despair at the inherent ungovernability of a liberal capitalist society. Rather, he made the move that would define much of organized neoliberalism: he moved from the economic to the legal. "As affairs become more intricate, more extended in time and space, more involved and interrelated," he wrote, "overhead direction … has to give way … to social control by the method of a common law."[126] While it was the "historic mission of liberalism to discover the significance of the division of labor; its uncompleted task is to show how law and public policy may best be adapted to this mode of production."[127] The role of law was not limited to the nation-state. Throughout his book Lippmann used the category of "the Great Society," which he borrowed from the LSE economist Graham Wallas, to connote an interconnected space of exchange whose reach by the modern age was global.[128] Shared law must extend throughout the global Great Society. He put the point forcefully: "The necessity of common laws throughout the world economy is the necessity of all the multitudes of mankind in all their daily transactions, and its cumulative force is invincible."[129]

Lippmann followed Mises and Hayek by proposing that both socialism and liberalism faced a knowledge problem that only the free price system could solve. He went beyond Mises and Hayek in his strong emphasis on the fact that prices only worked within the uniform structure of law. Ben Jackson points out that this turn to law anticipated Hayek's own renewed interest in the rule of law from the 1940s onward.[130] Hayek and Mises also adopted the term "The Great Society" and used it throughout their careers. The fact that Lyndon B. Johnson used the same phrase to describe his suite of national welfare state programs in the late 1960s make it easy to mistake the scale of the term for Hayek, Mises, Lippmann, and indeed Adam Smith before them. For all of them, the term meant the full reach of the realm of market exchange; the Great Society, as Mises put it in 1944, embraced "all human beings."[131]

Lippmann's work was a synthesis of the Austrian perspective on the subjectivity of value with a new attention to the rule of law. For Hayek, it dovetailed with new attention he had been devoting to the question of knowledge from even before the Lippmann Colloquium. Even as they engaged in projects of statistical inquiry, the Viennese economists around Mises had always remained cautious about the limits of purely descriptive facts and the possibility of prediction.[132] The Methodenstreit of the late nineteenth century between the historical economists and the marginalists associated with Carl Menger had revolved in part around the skepticism about the possibility of capturing the totality of a national economy, let alone the world. The economists of the Mises Circle were dubious about the efforts of Ernst Wagemann in Berlin as the extension of the project of the historical school.[133] Yet until the 1930s this problem had been solved more through theoretical approaches. In the 1930s, however, Hayek returned to the so-called calculation debate to revise his own faith in the role of knowledge itself.[134]

In his presidential address, "Economics and Knowledge," at the London Economic Club in 1937, Hayek reminded his audience of the Latin definition of *datum* as "given." But the issue was, he said, "to whom the facts are supposed to be given."[135] He felt economists had fudged the difference between the things that they knew (or claimed to know) and the things that average economic actors in the world *actually* knew. His work at the Austrian Business Cycle Research Institute had been premised on the notion of economic pedagogy—the idea that the gap between the market, the economist, and the economic actor could be bridged—but now he threw that whole possibility into doubt. He pointed out that equilibrium models were based on both perfect knowledge among all actors involved and what he derided as essentially the zombie category of *Homo economicus*—"the 'economic man' whom we have exorcised with prayer and fasting, has returned through the back door."[136] Not for the last time, Hayek did something that neoliberals are often themselves accused of doing: he suggested that economists mistake their models for the real world.

To Hayek, perfect markets did not exist in reality. They could not exist because perfect knowledge is impossible. Instead one had to begin from the assumption of what, quoting Mises, he called the "division of knowledge," analogous to the division of labor.[137] He dismissed the economists' idea that

"only … knowledge of prices" was needed. This was a clear move away from both the barometer vision and the public pedagogy role of the Viennese research institute and away from the idea of the cycle altogether as the focus of research. It was in 1937 that Hayek first gestured at what one scholar has identified as a defining feature of his philosophy: the usefulness of ignorance.[138] Hayek suggested that equilibrium exists "only because some people have no chance of learning about facts which, if they knew them, would induce them to alter their plans."[139] He concluded not only that perfect knowledge was a tautological conceit of the model inapplicable to reality but that it missed the basic point that imperfect, not perfect, knowledge was what created equilibrium in the form of economic order. As he put it later, he realized in the second half of the 1930s that "the basic function of economics was to explain the process of how human activity adapted itself to data *about which it had no information.*"[140]

If humans acted in unconscious response to market stimuli, then it followed that public enlightenment was no longer the role of the economist. The business cycle chart was truly the pulse of the nation in the sense of being a record of the autonomous nervous system rather than the thinking mind. Reference to such a record of autonomous activity would be no means of ensuring greater stability over time. In fact, to assume that the chart provided actionable knowledge for the policy maker was the most seductive error of all, leading to what Lippmann called the "illusion of control." As Hayek wrote later, to even "speak of a national social or world economy … is one of the chief sources of the most socialist endeavor to turn the spontaneous order of the market into a deliberately run organization serving an agreed system of common ends."[141] To extend the metaphor, Hayek's solution was to remove the patient from the electrocardiograph and focus on preventative care. There was a new goal—not to cure maladies as they arose through direct action but to design a world where the patient would never fall sick in the first place. The horizon of imagination was not treatment but prophylaxis.

The emphasis on institutions and rule of law in Lippmann's book offered a perfect complement to Hayek's conclusion about limited knowledge, allowing for a turn away from attempts to capture the economy in either numbers or theoretical models and toward projects of law and statecraft. Lippmann praised the importance of selective knowledge when he conjured

up a new role for the liberal as architect of order: "The thinker, as he sits in his study drawing his plans for the direction of society, will do no thinking if his breakfast has not been produced for him by a social process which is beyond his detailed comprehension. He knows that his breakfast depends upon workers on the coffee plantations of Brazil, the citrus groves of Florida, the sugar fields of Cuba, the wheat farms of the Dakotas, the dairies of New York; that it has been assembled by ships, railroads, and trucks, has been cooked with coal from Pennsylvania in utensils made of aluminum, china, steel, and glass. But the intricacy of one breakfast, if every process that brought it to the table had deliberately to be planned, would be beyond the understanding of any mind." Unlike those economists —including the later famous case of Milton Friedman and his pencil—who took the moment of phenomenological encounter as an entry point into understanding the world economy, Lippmann suggested it as a moment to forget the world economy. "Only because he can count upon an infinitely complex system of working routines," he wrote, "can a man eat his breakfast and then think about a new social order."[142] The task of the liberal intellectual was not to seek to trace the lineaments of the world economy but to take a step back and contemplate the core enabling conditions of the grander order itself. The global economy was unknowable—and this was not a dead end but the starting point for designing the order within which the world economy could thrive. This insight was foundational to the emergence of the Geneva School of neoliberalism.

The second road away from numbers in the 1930s was taken by Röpke and Rüstow. At the colloquium, Röpke advanced a theory he had floated in a letter to Robbins two years earlier that "the disintegration of the moral function of our system is the most important and the most sinister aspect of the process of the present disintegration."[143] He wrote that what liberalism had to "learn from conservatism" was to pay attention to "the imponderabilia, the vital or human element or whatever you call these elusive things."[144] Like Lippmann, Röpke and Rüstow held that the misguided belief in laissez-faire had produced adverse social effects, best expressed in the "disease called 'proletariat.' " A "narrow economic conception" of humanity had overlooked the "extra-economic" needs of humanity.[145]

Prefiguring Karl Polanyi's analysis of market fundamentalism in *The Great Transformation,* Rüstow said at the Lippmann Colloquium that "the market had become a domain of atomization" and the belief that the market "operates by itself" was a "theologico-rational error."[146] One-sided focus on efficiency, profit, and productivity had led to a sociologically damaging isolation and the degeneration of morality as the individual became detached from all community. In a cruel paradox, the experience of being severed from all social ties and set adrift in the world "appears from the point of view of the market economy as liberation from friction and extra-economic drag."[147] Without using the term "embeddedness" itself, Rüstow and Röpke effectively argued that the economy must be re-embedded in society. The individual must rediscover meaningful community relationships, including family, religion and, preferably, a connection to the rural land.

Hayek and Mises opposed Röpke and Rüstow openly at the colloquium. Mises accused Rüstow of romanticizing rural life, and Hayek argued that the proposal for a "rating scale" of "vital values" was inconsistent with the principles of liberalism.[148] This divergence would resurface again on the question of race, as Chapter 5 will show. What they all united on, however, was, first, their belief in internationalism, and, second, their skepticism about the value of numbers and models in telling the truth about the world. Röpke disparaged the declension of the social sciences into "a fact-recording machinery" and called for more synthetic collaborative work—less like the statistics-gathering of the business cycle research institutes and more like the international relations investigations of the ISC and the social philosophy of Lippmann.[149]

Perhaps the most strident attack on statistics came from the Polish economist and faculty member at Rappard's Graduate Institute, Michael Heilperin, in a book he completed the month after returning to Geneva from the Lippmann Colloquium and later condensed for his contribution to the ISC in 1939. In the book's first pages, Heilperin warned of "pseudo-quantitative concepts" and criticized the use of "statistical constructions" to understand "the heterogeneous reality they are supposed to represent." He complained that "our knowledge of economic reality tends to become an index-number knowledge."[150] Statistics offered "a comfortable way out of the perplexing multiplicity and heterogeneity presented by the economic

world … but the multiplicity does exist and by ignoring it one falls into erroneous or meaningless statements about the world and about economic processes."[151] Once deemed the royal road to world economic insight, projects of statistics had led into a dead end.

The core neoliberals began the 1930s with a working faith in numbers but ended the decade with an antipathy toward them. Even the Austrians with their preexisting skepticism toward descriptive statistics had been willing to promote business cycle research with a public pedagogical function. Yet by the end of the decade, Hayek was speaking of the necessity of not-knowing for economic relations. What explains the collective shift? As suggested in the condemnation of the "illusion of control," over the 1930s the use of numbers had become associated with those who believed in state action to stabilize the price level and leftists like Otto Neurath and Harold Laski, whom Lippmann accused of seeking a "planetary super-state" through "economic world-planning."[152] It was a founding distinction for the newly self-identifying group of neoliberals that they did not share the belief of their opponents on the left that the economy could be seen and counted—and, thus, fine-tuned and perfected. In response to what they saw as the crippling and "degeneration" of the functioning price system, neoliberals invested heavily in the invisibility of the economy. What could not be seen could not be engineered.

If the economy was beyond representation, then the task was to find a framework to contain and protect it. The Lippmann Colloquium in 1938 yielded a normative vision of the world in which the most relevant means of intervention was not in measurement, observation, or surveillance but in the establishment of a common, enforceable law and a means of accounting for the vital needs of humanity not provided by the market. By placing the economy beyond the space of representation—and, for Hayek, beyond even reason—neoliberalism was born in the late 1930s as a project of synthetic social science in which, as surprising as it might sound, the least important disciplinary approach was that of economics itself.

Although born out of projects of global statistics and data gathering, the project of Geneva School neoliberalism would be not about seeing the world economy but about declaring its invisibility; not measuring it but casting it as sublime and beyond capture; not surveying its workings but theorizing it as a spontaneous order eluding comprehension. Geneva School

neoliberalism would be a negative theology. Its program was to design the right institutions to encase the world economy without describing the world economy itself. This would be a project of law, state and organizations at the global level. It is telling that Mises's last intervention at the Lippmann Colloquium was to suggest the study of the League of Nations.[153] Far from being a paleoliberal who believed in a magical, self-organizing market, he, like all neoliberals, saw the intellectual project as finding the right state and the right law to serve the market order.

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In 1933 H. G. Wells published a novel, *The Shape of Things to Come,* that purported to be the dream journal of Dr. Philip Raven, an economist in the employ of the League of Nations who met an "unexpected death" in November 1930. Raven had been dreaming of the future, and his journal projected the vision of the League forward. It spoke of a Central Observation Bureau—a "complex organization of discussion, calculation, criticism and forecast" and a "World Encyclopaedia Establishment" in the "mother thought-city"—a transparent stand-in for Geneva. It was a version of the future where scientific knowledge was complete and coming events were an open book. Economists kept busy recording "irregularities and producing plans for adjustment." Raven recorded that the breakthrough for this vision had been first the Great War, after which the idea of "worldwide order" became a "working conviction" for many but really took hold after the "financial storms of the years 1928 and 1929," which gave "the World-State prophets the courage of their conviction"—"they had arrived at the realization that human society had become one indivisible economic system."[154]

The global spiral of the Great Depression had proven beyond a doubt that there was an interdependent entity called the world economy. A meeting of the ICC attended by Mises summarized the sentiment in July 1931 when they declared, "The development of the world crisis has clearly demonstrated the economic and financial interdependence of all nations."[155] The neoliberals had come to the same conclusion as Wells's fictional economist and the ICC. Yet their path did not lead to the Central Observation Bureau or the World Encyclopedia. They did not end the

decade dreaming of synopsis. Indeed, they saw the fantasies of Raven—and Wells—as revealing the very root of the catastrophe that followed the Depression. From Roosevelt's New Deal to Hitler's New Order to Stalin's Five-Year Plan, neoliberals saw governments indulging in illusions of control and the misguided belief that applied scientific knowledge could make national economies transparent to an "intelligent authority" from above, enabling plans by which national economies could persist in isolation and autonomy.

In the late 1930s ever more thinkers suggested that if you could only see the economy correctly, then just as Raven wrote, "plans for adjustments" could prevent future depressions. As is now widely acknowledged, the idea of "the economy" itself as an object to be observed, modeled, and engineered only arose with the tools of national income accounting and the creation of the discipline of macroeconomics.[156] Röpke himself pointed out in 1937 that macroeconomics encouraged the national frame of policy, including what he called "self-contained national income theory."[157] The nation-state was the assumed, if not the explicit, container for projects of planning and later the distribution of the welfare state's social services and benefits. Geneva School neoliberals felt that this confidence was misplaced and drew a line around the nation when the frame of analysis should encompass the world. In a lecture at Rappard's Institute in Geneva in 1937, Hayek said that the idea of stabilizing the price level "rests largely on an illusion, based on the accident that the statistical measure of price movements are usually constructed for countries as such."[158] In a book he finished in Geneva, Mises wrote that statistics were a way of recording history, not producing theory, and had "nothing to do with economics."[159] The world of numbers and cycles gave a false impression of total vision that hid the side effects of intervention. In his inaugural lecture at the Institute in the same year, Röpke suggested that "the world has indeed come to believe that the economic system, if properly guided, can be made cycle-proof" but wondered if "those cycle-proof economies turn out to be an optical illusion, as where the unavoidable economic disharmonies will not become manifest at the place of their origin, but rather be shoved off to the periphery of the economic apparatus."[160]

Neoliberals began the 1930s studying the business cycle. By the end of the decade, the spreading belief that the business cycle could be tamed and

controlled led them to see it as one of the chief causes of "international economic disintegration."[161] Röpke said at the Lippmann Colloquium: "The greatest danger is the new business cycle policy: the policy of economic autonomy, the policy of economic nationalism, combined with the planned economy and autarchy."[162] Seeing economics through statistics and cycles had fostered fantasies of management at the scale of the nation that threatened to pave the way to global disorder.

The 1930s transformed liberal thinking about the world economy. The premise of the 1920s had been that restoring the shattered global economy was a negative process. If the walls of wage demands created by unions and of tariffs created by special interests would fall, then the free market would take over. The second catastrophic collapse of the world economy in a single generation made many intellectuals think about the problem anew. The essence of the project of *neo*liberalism was that defending the world economy could not be a simply negative project but had to be a proactive project. There was a new role for law and the state. What neoliberals pioneered in the 1930s was the idea of thinking in orders, seeing the question of liberalism versus socialism as one that required a total-system perspective.

In a decade when most solutions inspired by Keynes, Moscow, and Schacht were national, and planning was in the air, Röpke and his collaborators in Paris, Geneva, and Eastern Europe thought at the scale of the globe. Their discussions came out of the same milieu as the discipline of international relations. Although globalism is now nearly synonymous with American power, the 1930s were quite different. Globalism was not an ideology that simply emanated outward from the United States. Most projects that took the world as their object were based in Paris, Geneva, and London rather than Washington or New York. Histories of international relations tend to elide its European origins in the interwar period, eclipsed as it was by the postwar paradigm. But neoliberalism was part of the questions asked at the dawn of international relations. The following chapters track the series of institutional projects, often failed, that neoliberals participated in to secure the global economy. Chapter 3 shows some of the most explicit examples as neoliberal plans for federation proposed a double government to rule over capitalism's doubled world.

3

A World of Federations

"The mines for the miners" and "Papua for the Papuans" are analytically similar slogans.

—LIONEL ROBBINS, 1937

"I'm thoroughly opposed to a world government," Hayek said in a 1983 interview. When the interviewer pressed by asking "of any form," he confirmed: "Of any form."[1] If there is one certainty about the "Austrian" position in the United States today, it would be a suspicion of government, at all levels, but certainly world government. A 2002 collection on neoliberal thought and globalization posed the binary: "Will freedom or global government dominate the international marketplace?"[2] More often, the topic is simply ignored. The nearly eight-hundred-page *Oxford Handbook of Austrian Economics* includes no chapter on international order among its thirty-four chapters.[3] Yet both this interpretation and Hayek's own are either conscious disavowal of, or selective amnesia regarding, an earlier position. In the 1930s and early 1940s there was no question for neoliberals that supranational government was a possibility—and Austrians were among its most eloquent defenders.

Perhaps nothing could surprise the libertarian more than the appearance of Ludwig von Mises in an article in the *New York Times* in 1941 describing the "world government convention" of the World Fellowship Inc. at the World Fellowship Center in a small town in New Hampshire. The main speaker was Irving Fisher, the celebrated American neoclassical economist. Speaking of the "war-disease" of "Hitlerism," Fisher said that "the cure is that same cure which has worked before and the only one which has ever worked—more government." After citing the "detailed plan for a world government" of the now-forgotten journalist Clarence Streit, who was one

of the world's most influential intellectuals for a short time in the 1940s, Fisher cited Mises, "who would add to the Streit plan for uniting democracies a union of Middle Europe covering a wide strip between Germany and Russia, postponing a world government to a later date."[4] What was the hero of the latter-day libertarian movement doing in the company of architects of world union and world government? Was he misquoted? Were his ideas distorted? Not at all. As we will see, Mises, Hayek, Robbins, and other neoliberals all wrote extensively about the need for strong supranational federations.

How to explain the incongruous fact that the supposed prophets of the small state were actually advocates for varieties of supranational government? Chapter 2 showed how the neoliberal movement was born out of the conviction that cycles and numbers were not enough. The cause of liberalism—and the defense of the primacy of the world economy—was too important to be left to the discipline of economics. As Röpke put it in a lecture at the Graduate Institute in Geneva, "world economy and world politics are no watertight compartments." Because their "disintegration" was interrelated, "we must also combat them simultaneously."[5] In Europe, neoliberalism emerged in the 1930s less as an economic project than as a project of politics and law. The search was on for models of governance, at scales from the local to the global, that would best encase and protect the space of the world economy. Neoliberals described this as a campaign against "interventionism," but it was clearly interventionist in its own right. Michel Foucault was correct to see neoliberalism as a project of "legal interventionism."[6] This was not a minimalist but an activist vision of statecraft mobilized to push back against the incipient power of democratically enabled masses and those special interests, including unions and cartels, who sought to obstruct the free movement of competition and the international division of labor.

The neoliberals gave a name to the enemy in the 1930s and 1940s: "economic nationalism." The term, which today is commonplace, refers to governments enacting policies that block or slow trade, and is often aimed by Northern verbal proponents of free trade at Global South countries that are seen, fairly or unfairly, as only recalcitrant participants in the global economy. The policies at issue could include tariffs—taxes on imports—as well as nontariff barriers to trade, including health and safety standards,

quotas, or other voluntary restrictions. Economic nationalism was first diagnosed not in the Global South but in postcolonial Eastern Europe. Neoliberals first identified it while sifting through the shards of the former Habsburg territories. As we will see, it was one of the defining Others for the emergence of neoliberalism: it was the inverted reflection of how they saw their own policy.

Against the enemy doctrine of economic nationalism, neoliberals posed what Michael Heilperin, in his contribution to the 1939 International Studies Conference, called "economic internationalism." He defined this as "a policy intended to prevent political boundaries from exercising any disturbing effect on economic relations between areas on the two sides of the frontier."[7] Economic internationalism sought to make political borders mere lines on the map with no effect on the flow of goods and capital. By contrast, economic nationalism pursued the misguided goals of national self-sufficiency, autarky, "insulation," and "autonomy"—the latter being categories that Heilperin put in quotation marks to express his skepticism.[8] Neoliberals saw economic nationalism as a revolt against interdependence that could lead only to starvation or wars of expansion. Globalization could not be undone. To shield a national economy from the forces of world competition in any way was a sign of secession from the international community.

Neoliberals saw the root of the problem in the tension between the twin Wilsonian principles of national self-determination and economic free trade. After the Great War, the world was segmented into ever smaller political units, even as technology and exchange pushed "in the direction of a unified, world-wide economic system."[9] Louis Marlio, the French industrialist who coined the term "neoliberalism," articulated the conundrum at the Lippmann Colloquium: "It is the contrast between the shrinking of political territories and the ever-increasing necessities of economic markets that broke the liberal order."[10] The challenge for neoliberals was how to accommodate the reality of nationalism with the ongoing requirement of a supranational economic order.

Pondering a world after empire meant first taking stock of empire itself. Neoliberals were of two minds. On the one hand, they condemned the kind of empire that conflated the administration of an overseas territory with preferred access to its resources as itself being an insidious variety of

economic nationalism. On the other hand, they looked wistfully back at the Habsburg Empire for supposedly balancing the demands of multiple nationalities while maintaining an internally free economic territory. They also praised the British Empire of the nineteenth century for preserving free trade in its colonial markets for all comers. The laudable model of free-trade empire was promoted at the Berlin Conference of 1884–1885, when the gathered European powers vowed to cooperate to preserve free commerce in the African continent and maintain what Mises praised in 1919 as "the open door for economic activity of all nations" in the Congo basin.[11] The spirit of Open Door empire lived on in the League of Nations mandate system, which proposed a gradual movement of colonies toward self-determination under the watchful eye of supranational authorities.[12]

The director (1920–1924) and later member of the Mandates Commission (1924–1939) was the impresario of early neoliberalism, William Rappard, director of the Graduate Institute of International Studies, who brought both Mises and Röpke to Geneva in the 1930s and hosted key lecture series by Hayek and Lionel Robbins in the same decade. As we saw in Chapter 2, neoliberalism was born out of what Rappard in 1931 called the "Geneva experiment," with its belief that the principle of "world unity" must trump "the wicked folly of the doctrine of absolute national sovereignty."[13] Neoliberals shared with the leaders of the League of Nations a belief in the need for extra-economic means to protect the liberal world economy. Arthur Salter, the head of the economics and financial section of the League, opened the International Studies Conference in 1934 by saying that the Great Depression had brought home the realization that world trade was not natural but "depends on the existence, the maintenance, the growth and adaptation of a world structure of politics, law, finance and credit and monetary system."[14] Rappard saw the seeds of future liberal world government in interwar Geneva pioneered in the League of Nations oversight over Austrian finances and the mandate supervision of African and Asian colonial territories. In their own variations on this theme, neoliberals imagined the end of empire managed by a supranational state that could override national sovereignty to protect global free trade and free capital flows.

The realization of the 1930s for neoliberals was that the self-regulating market was a myth. The foundations of world economic order—the gold

standard, commercial treaties, and the Open Door policies of the British Empire—were glaring in their absence. The world economy would not reproduce itself without concerted political effort. Instead of envisioning a return to empire, however, neoliberals acknowledged that the era of the nation was irreversible. The secret was how to keep the nation but defang it. How could nations be sapped of their power to disrupt the world economy? The dream was of decolonization without the destructive desire for economic autonomy. While the liberal economist Moritz Bonn at the London School of Economics provided a striking vision of the "disintegration of world economy" in the wake of the "crumbling of empire," his colleagues Hayek and Lionel Robbins offered the most developed vision of neoliberal supranational government in their proposal of a double government for the world. They proposed large but loose federations within which the constituent nations would retain control over cultural policy but be bound to maintain free trade and free capital movement between nations. Hayek and Robbins hoped their solution would satisfy mass demands for self-representation while preserving the international division of labor and the free search for profitable markets. They also explicitly hoped that their federal schema would undermine the possibilities of both government administration of industry and popular material redistribution. By design, the denationalized state form proposed by the neoliberals would be too big to plan.

COUNTERCOLONIZATION AND THE WORLD ECONOMY

Moritz Bonn was one of the most precocious theorists of the world economy after empire. He was not part of the group that would become the neoliberal intellectual movement but was a towering figure in economic liberalism in the 1930s. In October 1933 he gave his first lecture at the London School of Economics (LSE). He had been invited to the school by, among others, Robbins, the socialist economist Harold Laski, and William Beveridge, who was the LSE's director and later one of the architects of the British welfare state. The Nazis had expelled Bonn, a Jew, from his academic post—an expulsion that was front-page news across Great Britain and the United States—and Bonn's salary at the LSE was to be paid for by

donations.[15] Bonn was a student of empire. His first research, in the 1890s, had been on Ireland, where he went, as he later recalled, to "study backward economic life in the one western country where it had been preserved."[16] Before the First World War he traveled to Southern Africa and became a prominent voice for colonial reform on his return to Germany, speaking alongside Colonial Secretary Bernhard Dernburg, not against empire, but for a different kind of empire, against *métissage* (miscegenation) and the ungovernable populations he felt it produced, and for a small all-white civil service that would protect the interest of the natives and guide them into the modern world of free labor and enterprise.[17] British Basutoland was the positive example he set against German Southwest Africa.[18]

Bonn spoke to the packed lecture hall in 1933 about what to him was a deeply concerning but ultimately inevitable phenomenon with a term that he would later have a good claim to have coined—"decolonization."[19] He observed that the Great War had played midwife to two world historical processes. The first was the end of empire, the second was planning. He saw "modern planning" born in the war, when "scarcity of commodities and shortage of man power led to an attempt at substituting central state control over production and consumption for consumers' sovereignty." Planning was a secular, not a socialist, faith. "Total War and the Defense of the Realm Act, not Marx and Engels, were [its] parents."[20] In common with many recent historians, Bonn argued that war planning had permanently extended the horizon of possibility for governments, and produced what one scholar has called a *Machbarkeitswahn,* or an intoxicating, and even delusional, sense of "doability."[21]

Wartime expediency became peacetime expectation after 1918. The guiding hand of the state in economic affairs became the new normal in both capitalist and socialist states. Varieties of corporatism proliferated.[22] In the United States, the Tennessee Valley Authority and the National Recovery Act had been launched months before Bonn's speech, and the first apparently successful Five-Year Plan had just been completed in the Soviet Union. New nations were being born into an atmosphere where states coordinated enterprise and took this fact as natural. "The protection of infant industries," he said, "forced upon sometimes unwilling governments during the war, has become the economic goal of many backward and all

newly organized national states. Industrialization in an already over-industrialized world is fervently followed up."[23]

Decolonization for Bonn was "a movement against political dependence" that pivoted from the empire form to the nation form. But more significantly, it also "turned against economic dependence," pivoting from what he called "international economic interdependence" toward autarky.[24] Bonn's distinction between the political and economic realms was central. Nations could have formal sovereignty while still remaining deeply connected economically. In fact, nations could even receive formal political autonomy on the condition of diminished economic autonomy. He cited the examples of Greece and China, which had been admitted as equals into the League of Nations but only with the "continuation of some sort of control over [their] finances," and the financial oversight of Austria and Hungary, which followed the same pattern.[25] Atomistic national political equality, in other words, could coexist within what Bonn called the "invisible economic empire" of trade and exchange that was global.[26] A political world of borders could coexist, and had coexisted (in the liberal imagination, if not reality) within a borderless world economy.

Bonn believed that decolonization and planning were two sides of a linked misunderstanding of the scale and form of what worked in an interdependent world. Yet the ultimate traitor to the model of one-world-economy-many-polities came not from the periphery but from the core. The central enabling condition of the invisible economic empire had been the predictability of currency value and the trust in the contract, the bill of exchange, and the loan that it created. This faith had vanished in a single day on September 20, 1931, when Britain left the gold standard. With that move, Bonn wrote, Great Britain "had broken the economic unity of the world" and accelerated the movement toward a globe of increasingly granular polities, each outfitted with its own necessarily inefficient industrial plant, misguided by the belief, promoted by John Maynard Keynes in 1933, that national self-sufficiency was a laudable goal.[27] "Up to the 21st September," Bonn wrote, "economic universalism, as a great British tradition, coincided with British economic nationalism. On that day they parted company."[28]

The imagination from which Bonn spoke on that day in London in 1933 was shared by the neoliberals, including his colleagues Robbins and Hayek

at the LSE and Röpke, who praised Bonn and likely was inspired to title his 1942 book *International Economic Disintegration* partially by the subtitle of Bonn's 1938 monograph *The Crumbling of Empire: The Disintegration of World Economy.*[29] Like Bonn, the neoliberals had a differentiated attitude toward empire. They saw a chasm between, on the one hand, the many bad empires that protected their colonial trade and saw the world economy as a zero-sum container of finite resources, and, on the other hand, the single good empire of the British that promoted free trade and sound money. They saw the British Empire as the polestar of the first age of globalization from 1870 to 1914. The belief that the British had betrayed economic universalism since 1931 under the class pressures of organized labor and the intellectual seductions of Keynesianism led them to think hard about what a new organizing principle and an organizing force could be in a world after free-trade empire under the indirect rule of the City of London. What to do after the disappearance of the empire that had been so mindful, in their opinion, of the separation between imperium and dominium?

The solution that the neoliberals arrived at was supranational federation. Accepting that political frontiers could not be eliminated, and that nationalism was a force that spoke to people in an ineradicable way, they sought what Bonn called the "sterilization of frontiers." "If frontiers were no longer obstacles to international economic intercourse," he wrote, "they would lose part of their sinister significance."[30] The idea was to reconstitute the invisible economic empire of exchange and trade overlaid with a grid of externally bounded political units called nations. Their radical proposition in the 1930s was to ask—what if empire ended, and it didn't matter?

ROBBINS AND THE IDEA OF DEPLANNING

In 1935, a year and a half after Bonn's lecture, Lionel Robbins traveled to Switzerland by car to deliver a series of lectures on the topic of international economic planning. He stayed with Mises when he got there but drove through Nazi-governed Germany, seeing anti-Semitic slogans on banners in what he called "smiling Bavarian villages where you would have thought not a ripple of these political convulsions would have penetrated."[31] He had been invited to give the lectures by Rappard, who had turned his

Graduate Institute of International Studies into a kind of neoliberal think tank in the 1930s, bringing Mises in 1935, Röpke in 1937, and Haberler, Hayek and Jacob Viner for stays of research and teaching. Published under the title *Economic Planning and International Order* in 1937, Robbins's Geneva talks were declared a "manifesto" by the *Economist.*[32] They took on what he called "the grand panacea of our age"—planning—a false god that he saw as responsible for among other things, the Nazism he had just seen firsthand. It also offered the first draft of a model of neoliberal federation upon which Hayek would build his own ideas.

Like Bonn, Robbins read decolonization and planning as both formally homologous and structurally reinforcing. The dissolution of empires was leading to a confusion of the categories of government and ownership: " 'the mines for the miners' and 'Papua for the Papuans' are analytically similar slogans," he said.[33] At the Lippmann Colloquium, Mises had commented similarly that "the ambiguous use of possessive pronouns frequently impedes understanding. On what grounds does a British citizen who is not a mine owner describe British coal deposits as 'ours' and those of the Ruhr as those of 'foreigners'? As a purchaser of coal, he is obliged in each case to pay the market price, whether it is British or foreign coal."[34] Robbins sought a form of human social organization that would clarify the distinction between the political and economic realms and dissolve the small, discrete collective of mutual identification—the miners or the Papuans—in a larger unity. Like Bonn, he saw the British as having provided such a transnational frame until 1931. The "open door policy" meant "that those parts of the Empire which were administered from at home were administered as if in trust for the world as a whole," he wrote. "So long as foreign goods were admitted free and foreign investment and foreign settlement not discriminated against, the Englishman was not economically better off than the foreigner because his country had wide possessions … The administration of the free-trade Empire is not," he said, "one of those episodes of history of which Englishmen need be ashamed."[35]

For Robbins and Bonn, the world economy provided a space of universalism, a shared arena of activity for all humanity overseen by the protective rule of the British Empire. What was necessary was a political form to fill the vacuum created by the British abdication of the role, especially after the Ottawa Agreements of 1932, which created preferential

access for Great Britain to its colonies and commonwealth. Rappard condemned the agreements at the International Studies Conference in 1933. The best justification for imperial rule, he said, was "that the primitive population shall be governed in their own interests … and also in the interest of the whole world." The Open Door empire had "assured the natives of equality in their relations with the rest of the world, and assured the world of outlets for its industrial products and free sources of supply."[36] If the British had broken the liberal order once by leaving the gold standard in 1931, they had done so again the following year by turning colonial borders into economic walls.

Neoliberal proposals of federation came out of incredibly wide-ranging, and now largely forgotten, discussions about which political form might be used to reform, reinvigorate or replace that of empire. Transatlantic discussions of federation were given focus by the publication of American journalist Clarence Streit's *Union Now* in 1939 but had begun in earnest in the pages of *New Commonwealth Quarterly* in 1932 and the publications of the Round Table Group at around the same time.[37] In their most common variations, federation and union were proposed as Atlantic, Anglo-Saxon or Western European configurations that could bring an isolationist U.S. back into the community of the West and act as a bulwark against forces of both fascism and communism.

The focus of federation for most was moral, racial, civilizational or political. For Robbins, it was economic. "It would be the object of a liberal world federation," he said, "to create the maximum scope for international division of labor: and any restriction of trading between governmental areas would be totally alien to its intention."[38] The primary role of nation-states would be security and ensuring that "the law of property and contract the world over was unified and administered on uniform principles."[39] If the free-trade-private-property world order were put into place, then empire would be insignificant. Because "there is no conceivable repartition of the earth's surface which would be permanently satisfactory," the only lasting solution would be to make the world's resources accessible to all.[40] He uses the example of the nineteenth century when "the most important raw material of British industry … raw cotton—was purchased outside the Empire. Whether cotton is purchased in Carolina or the Sudan, it has to be

paid for. Provided that contracts are enforceable in both places, it is a matter of indifference whether or not they are colored the same on the map."[41]

The genius of the world federation model was that, by its own power, it would begin a dynamic of what Robbins called "deplanning."[42] The most important tool of the planner in international trade—the tariff—would be taboo, meaning an end to the protection of infant industry or domestic agriculture. More meaningfully, it would also mean the dismantling of social services. As he said, "National planning involves not merely the suspension of *laissez faire* as regards movements of trade and investment. It involves also the suspension of *laissez passer* as regards the movements of men."[43] The provision of benefits by the state, he observed, means the restriction of free movement to retain control over who benefited. This was one of the reasons that the promise of equality itself was corrosive. "We must recognize," he said, that "the system would involve some inequality of income."[44] Creating economic evenness at the scale of the nation only produced a misguided sense of the origin of prosperity. The contingency of individual well-being on the flows of world economy must remain a palpable reality for national citizens. Planning muffled the bracing sounds of the global. It must always be a possibility that, as he put it in 1934, the merchant might "close down his works in Lancashire to commence operations in Japan."[45] Shared precarity could and should be the foundation of world unity.

HAYEK'S NEOLIBERAL FEDERATION

Like Robbins, Hayek was a member of Federal Union, an organization calling for federation founded in 1938 that had over 12,000 members by 1940; he and Robbins were also members of the economists' committee of the Federal Union.[46] Inspired by the work of his close friend and colleague, Hayek elaborated the free-trade world federation imaginary in its most complete form in a 1939 article in *New Commonwealth Quarterly,* where he described a political model that would undermine the "solidarity of interests" that naturally cohered when groups of people had the same economic interests.[47] Decolonization might actually work well in the sense that it would delink the political and the economic. It was the

correspondence of political and economic sovereignty that produced what Hayek saw as the troubling sense of ownership that citizens of a nation felt over the products of their national territory. “In the national state, current ideologies make it comparatively easy to persuade the rest of the community that it is in their interest to protect ‘their’ iron industry or ‘their’ wheat production of whatever it be.”[48] The goal of federation was to break the link between political citizenship and economic ownership.

Open economic borders would mean that constellations of interests would never be permanent nor would they become “lastingly identified with the inhabitants of a particular region.” Like Robbins, Hayek described how the free flow of goods and investment would discipline economies away from intervention and planning. Because capital will move to find better interest rates and goods will come from places with lower prices, “the whole armory of marketing boards and other forms of monopolistic organizations of individual industries will cease to be at the disposal of state governments.”[49] World government would by necessity focus on the task of encasing the market rather than allocating resources according to a logic of equality or social justice. The loose federation would govern narrowly but intensively, ensuring that the disciplining effect of economic flows determined the allocation of resources. Social legislation would be governed by a kind of regulatory most-favored-nation logic, whereby fewer and fewer aspects of social life would fall under planning or regulation. “We shall have to resign ourselves rather to have no legislation in a particular field than the state legislation which would break up the economic unity of the federation.”[50]

The open world economy protected by political federation could be the antidote to planning and the solution to decolonization. Hayek and Robbins agreed that people would not accept either tariffs or redistributive policies for the sake of people geographically distant from them. Hayek asked: “Is it likely that the French peasant will be willing to pay more for his fertilizer to help the British chemical industry? Will the Swedish workman be ready to pay more for his oranges to assist the Californian grower? … Or the South African miner prepared to pay more for his sardines to help the Norwegian fisherman?”[51] Robbins observed, even more pointedly: “If, for instance, the services of the inhabitants of say Scandinavia are in part devoted to providing resources to raise the productivity of the inhabitants of China,

that means, as in the case of income equalization, that they get less than they might have had in order that others may get more."[52] Reversing Adam Smith's hypothetical question about how much Western pain would be averted for the death of a Mandarin, they asked how much Western effort would be expended for the benefit of a Mandarin and concluded the answer would be: very little.[53]

Robbins wrote, "International liberalism does not bid us love humanity … it is merely the plan of a mechanism more efficient than the world of independent nations."[54] Anti-planning could present itself as anti-imperialist by casting empire as irrelevant, proposing instead a loose federation united by the flows of commerce and capital. World federation solved the problem of decolonization by decentering it, making the dissolution of empire secondary to a larger vision of restoring a liberal international economic order abandoned by the British after 1931. Neoliberal federation offered an alternative outcome to the "dialectics of decolonization" described by historian Frederick Cooper.[55] Where Cooper saw the demands of an increasingly empowered colonial labor force in West Africa hastening the end of empire in a post-1945 world where "social citizenship" had begun to mean more, Robbins and Hayek envisioned a further turn of the screw, in which planning measures at home were dissolved by an arrangement in which the free flow of capital and goods undercut the "communities of interest" that sustained them.[56] The social democratic state was only in utero in the 1930s. It is striking to see neoliberals already devising a scheme to counter it. In their version of federation, the discipline of the world economy would undermine planning and confine the nation-state to the field of the political.

MISES AND THE HABSBURG ORIGINS OF DOUBLE GOVERNMENT

One does not have to excavate Hayek's short 1939 article to descry his vision of world order. He devoted the whole final chapter of his 1944 best seller *The Road to Serfdom* to a reprisal of his schemes for international federation. He made it explicit that the world economy could be defended only by political means. "Far from it being true," he wrote, "that, as is now

widely believed, we need an international economic authority while the states can at the same time retain their unrestricted political sovereignty, almost exactly the opposite is true. What we need and can hope to achieve is not more power in the hands of irresponsible international economic authorities, but, on the contrary, a superior political power which can hold the economic interests in check."[57] Hayek argued that only such a "powerful" "supranational authority" could prevent the mandate of individual states from expanding in ways that would damage the prosperity of the whole. The anti-planning world authority would be an agent of what other liberals called "denationalism," overseeing the member states of an international federation and enforcing standards of free trade and free investment.[58] Federation was a means of achieving the goals of militant globalism and militant democracy: it is "nothing but the application to international affairs of democracy, the only method of peaceful change man has yet invented," he wrote, "but it is a democracy with definitely limited powers."[59]

Hayek's proposals for global governance had been largely passed over until scholars recently rediscovered, in his proposals for federalism, the "reinvention of liberal internationalism" and the implicit—and even explicit—inspiration for European economic integration.[60] Wolfgang Streeck writes that Hayek's work "reads like a blueprint for today's European Union" in its design for institutions that link "internationalization" and "denationalization" with inexorable liberalization.[61] Chapter 6 weighs the claim of Hayekian inspiration for European integration, and Chapter 7 his influence on architects of the World Trade Organization.

What is notable, however, is that even those scholars who trace Hayek's internationalism forward fail to trace it backward: to the Habsburg Empire of his youth. Reflecting in 1978, Hayek wrote, "I think the first paper I ever wrote … was on a thing which had already occurred to me in the last few days in the army, suggesting that you might have a double government, a cultural and an economic government." He said that this occurred to him as one way to resolve "the conflict between nationalities in the Austro-Hungarian Empire." He wondered if "it might be possible in governmental functions to separate the two things—let the nationalities have their own cultural arrangements and yet let the central government provide the framework of a common economic system."[62] This idea, "the first thing I

put on paper," according to Hayek, suggests the overlooked influence of the Habsburg Empire on neoliberal proposals of international order and federation.

The fact that the core neoliberal thinkers had roots in the former Habsburg Empire was far from incidental. As John Gray remarks, Hayek saw the vanished Habsburg Empire as "in some ways a model liberal regime."[63] The Habsburg Empire was a lost object of identification for many Viennese-raised intellectuals. The philosopher Karl Popper, who was one of Hayek's friends, idealized the empire in retrospect, seeing it as the space of a "cosmopolitan scientific community laboring for human progress."[64] Even during its existence, many thought fondly of the empire as representing "the international order of mankind in miniature."[65] For neoliberals, the empire's cosmopolitanism modeled and prefigured a future world. Among the most compelling aspects of the Habsburg Empire in retrospect was its separation of economics and politics. The multinational principle had made the empire a single economic space without a homogeneous language or culture. Mises was fascinated by the fact that "state and nation did not coincide" in the Habsburg monarchy. Unlike the French republics, or the post-1848 imaginaries of Germany, Italy, or Poland, Habsburg Austria did not have "the nationality principle" at its "ideological foundation."[66] A multinational state meant that every effort at intervention would threaten to upset the diplomatic balance by appearing to cater to special interests.

Though such special interests were served all the time in reality, Mises clung to the idea of a state that was denationalized in its own self-conception and thus impermeable to demands made in the language of the nation. For Mises and Hayek, the nonidentity of political and economic units in the Habsburg Empire offered a model for the world. The Austrian neoliberal vision of a decolonizing globe after 1945 would be based on their own experience and observation of decolonization at home. The vanished Habsburg Empire, ironically, became a model for the world economy after empire.

Mises's proposals for international federation followed the Habsburg example more closely than Hayek's. Indeed, Mises's most explicit proposals for supranational federation hewed closely to the borders of the former empire, and he expressed skepticism about a larger-scale

"democratic world government" or a federation that would span continents.[67] Gaining an understanding of his imagination requires a brief overview of the political and economic geography that underpinned Mises's work. From his earliest publications, Mises operated with the binary opposition between a world organized by the "principle of nationality" and self-determination, and one organized by the international division of labor, indifferent to nationality, across "the entire inhabited surface of the earth."[68] The organization of the world into nations contradicted economic principles because it arranged people and other factors of production in less than optimal ways. Ideally, economic laws would trump political laws over time. "The surface of the earth is divided among nations. This division is the result of past historical processes. It does not correspond to current conditions of production and population. Under full free movement of people and goods, there are nations whose areas would be more densely and others more thinly settled. This relative overpopulation must be dissolved now through movements of migration."[69] In Mises's normative vision of economics drained of politics, populations would grow and shrink with time; and nationalities would, in some cases, be lost or absorbed through assimilation.

It is not often noticed that Mises staged the famous socialist calculation debate of the interwar period not at the scale of the nation but at the scale of the world.[70] He claimed that a hypothetical "general director of the world economy" was redundant because "what would happen under ideal world socialism by order of the general director of the world economy is achieved in the ideal of the free world economy by the reign of competition."[71] In a market system, companies, capital, and workers migrated of their own accord to better-yielding conditions. To fail to migrate would be to fail and, ultimately, to starve. Mises conceded somewhat cheerfully that his understanding of the world coincided in many ways with that of Karl Marx. He felt that Marx was a product of his time—the 1860s—when free trade reigned in Western Europe and talk of a coming world government seemed plausible. After all, he pointed out, liberalism and Marxist socialism were both cosmopolitan.[72] And the bourgeoisie, like the proletariat, was also inherently "international."[73] Where they differed was in the diagnosis of the outcome. Where Marx saw increasing immiseration, Mises saw the road to prosperity rudely interrupted by the tariff wars of the 1870s in response to

the first Great Depression, then the rupture of the Great War, and the return of trade obstacles that followed.

Mises saw the earth as a vast territory of varying natural endowments that needed to be exploited as thoroughly as possible through the mobility of capital, labor, and commerce. The drive toward productivity was axiomatic. He called it the "fundamental social law" of capitalism "to draw the greatest number of human beings into the personal division of labor and the whole earth's surface into the geographical division of labor."[74] Life under "the reign of competition" left admittedly little room for individual maneuver.[75] Of the entrepreneur, he wrote, "The market controls him more strictly and exactingly than could any government or other organ of society."[76] For workers it was similar: **"**As producer … a man is merely the agent of the community and as such has to obey."[77] The space for discretionary action one had was as a consumer. Capitalist society, he said, in an analogy he would use throughout this life, was a "consumer's democracy … in which every penny represents a ballot paper."[78]

Mises saw the international division of labor as a process that, at least hypothetically, might one day be completed. It was, he said, "finite. When all men on earth form a unitary system of division of labor, it will have reached its goal."[79] The eventual outcome of this process would be the emergence of what he called "ecumenical society" and, necessarily, an accompanying world superstate that would realize the failed promise of the League of Nations by divorcing itself from the impracticable principle of national self-determination and taking up its proper limited—but intensive—role in safeguarding trade, investment, and migration.[80] For Mises, the demands of the world economy trumped all other political claims. In discussing colonialism, for example, he remarked that "no chapter of history is steeped further in blood than the history of colonialism" but still insisted that keeping the colonies was the first priority once Europe become dependent on the empire for raw materials.[81] Self-determination might be thinkable, but only under the control of a muscular superstate that could ensure the continuation of free trade.

For Mises, policy questions were always held to the touchstone of world economic productivity. Similarly, his preferences for democracy over dictatorship, and free labor over slavery, were purely functional. Letting people vote decreased the number of revolutions, and letting people work

for a wage made them more productive than they were as human chattel.[82] The reign of competition matched human labor to the earth's natural endowments in the most optimal way. Political institutions must caretake the pathways that carry mobile factors of production to immobile ones, without seeking to "organize" them.[83] Mises believed strongly in economic principles as the most rational basis for human organization of the world while also remaining deeply mindful of the power of what he saw as its adversary—the political form of the nation. For him, the real war was not between individual nations or empires but between the world economy and the nation as forms of human organization.

If the struggle was between the principle of world economy and the nation, then Mises felt the outcome of the Great War had strengthened the hand of the latter. The dissolution of the Habsburg Empire redrew the regional map. Bulgaria and Romania expanded their territory greatly, and the former imperial heads of Austria and Hungary became freestanding nation-states. Formed from whole cloth were Poland, Czechoslovakia, and the State of Slovenes, Croats, and Serbs, which in 1922 merged with Serbia to become the new (multinational) state of Yugoslavia. In the words of one economist in 1929, the postwar reorganization had "sliced into segments the economic organism which existed under the Hapsburgs."[84] Austria was entirely cut off from its hinterland and swollen with German-speaking civil servants from the provinces.[85]

The resolution of the nationalities question after 1918 infuriated Mises. Rather than being answered, the problem had been raised to new heights. The principle of national self-determination had, disastrously, been read economically. He observed bitterly in 1927 that "the principle of national autarky wins new supporters with every day that passes. Even countries with only a few million inhabitants, like Hungary and Czechoslovakia, are attempting, by means of a high tariff policy and prohibitions on imports, to make themselves independent of the rest of the world."[86] What had been lost was the complementarity of the Habsburg Empire as a working model of a division of labor among diverse human populations. Contemporaries labeled this loss of the political and economic unity of empire "the riddle of the Danube." The riddle being: How to maintain mutually beneficial bonds of economic interdependence after the end of empire? Some even asked

"whether it was not more desirable to leave the Austro-Hungarian state intact rather than destroy it."[87]

In a lecture given at Rappard's Graduate Institute, Robbins himself described the end of the Habsburg Empire as a negative example of decolonization and a cautionary tale for Britain. "The economic organization of prewar Austria, especially Vienna, was keyed up to supply the needs of the vast area of the old Austrian Empire. Suddenly, as it were overnight, the greater part of this market was cut off by almost prohibitive tariffs. The territorial division of labour of the Danube basin was destroyed by nationalist particularism." A remedy, he suggested, would have been "some form of federal constitution which would have averted the threatened disintegration."[88]

In 1938 Mises set to work drafting just such a federal constitution, and in 1940 he began to work on it in earnest. He hoped that his proposal would counter what he saw as the institutional failure of the world after Versailles, St. Germain, and Trianon. He wrote from his new home in New York City, a rent-controlled apartment at 96th street and West End Avenue on the Upper West Side where he would spend the rest of his life.[89] The focus of his work was on East Central Europe. Seeing "anarchy" in the wake of the dissolution of the Habsburg and Ottoman Empires, he proposed a new Eastern Democratic Union (EDU) that would span an enormous swath of territory, from the Baltic to the Adriatic, Aegean, and Black Seas, from the eastern borders of Switzerland and Italy to the western borders of Russia. The EDU would include all nations made independent after the First World War, from Latvia to Yugoslavia, as well as multinational parts of the German and Italian states, such as Silesia and Fiume. In all, it would "include about 700,000 square miles with about 120 million people using seventeen different languages."[90]

The core principle of the EDU was the separation of economic from cultural policy. People would have total freedom of movement, trade, and employment within the territory, which would be ruled from a centralized parliament in Vienna with an "elected president or a hereditary ruler." Recalling the tutelary practices of the Mandates Commission, the League of Nations would appoint the initial president and cabinet, to be replaced later by a vote based on universal suffrage. A version of the proposal Mises wrote in 1938 was even more reminiscent of both the mandate model and

the form of financial oversight the League practiced in Austria; he suggested that certain administrative positions be permanently filled by "Englishmen and Frenchmen" and that the official language be either English or French.[91] In the 1920s Mises expressed his approval of the mandates model, writing that "the League of Nations must be given supreme authority in the administration of all those overseas territories in which there is no system of parliamentary government," calling for all colonies to be turned into mandates as a transition to self-determination.[92]

Mises was not opposed to supranational intervention as long as it served to preserve a global capitalist order based on free trade and private property. When in 1932 Austria was forced to accept a loan from the League of Nations with punitive conditions attached, he stressed its pedagogic potential: "The severe conditions under the loan may open the eyes of the entire population to the fact that the economic policy that has been followed in recent years has brought us to a situation where we really see no other way out than to accept the sort of subjugation which this loan imposes on us."[93] In this case, the League was the mechanism of an unflinching economic rationality ostensibly flouted by the policies of Red Vienna. With the compunction of League conditionality, the "measures of frugality that the economy has required for a long time—but which have always been delayed or sabotaged—be put into effect as quickly as possible."[94] In 1944 he was even more forthright, writing that the covenant for a renewed League would "have to include a rigid limitation of sovereign rights of every country. Measures which affect debts, the money systems, taxations, and other important matters have to be administered by international tribunals, and without an international police force such a plan could not be carried out. Force must be used to make debtors pay."[95] For Mises, a good version of the League had the capacity to act as an iron glove for the invisible hand of the market.

Mises's EDU proposal sought to realize a strong version of the League dream for the eastern half of Europe by radically downgrading what Rappard called the "dogma of national sovereignty."[96] His solution to the nationality problem was novel. He permitted the persistence of all the accouterments of nationhood, including flags, anthems, postage stamps, and "coins of every member state, coined with the national emblems."[97] People would be free to develop their own national culture and represent it abroad.

The thorny problem of education, a major issue in the old Habsburg Empire, would be remedied through a scheme that directly anticipated the latter-day demands of U.S. neoliberals and conservatives. All schools would be private, and citizens would be granted a lump sum in the form of what are now called vouchers to spend on education.[98] Linguistic groups could establish schools anywhere in the territory there was a critical mass to form one.

Mises's EDU, which he included as the culminating chapter of his 1944 book *Omnipotent Government,* gave institutional form to his understanding of nations as protean and unmoored to any particular territory.[99] It also, to his mind, solved the problem of minorities that had bedeviled the League of Nations. Most striking in his model is the question of visibility. The constituent nations of the union would bear all the outward marks of sovereignty, yet this sovereignty would be ornamental, undermined wholly by the authority of the central government. A visitor to the territory, though, would see only the surface and not the underlying economic union. "He will not see the EDU," Mises wrote, "he will not have the opportunity to meet the agents of the EDU."[100] Consistent with the idea of an invisible realm of the economic discussed in Chapter 2, the government of the open economy would remain hidden from the public eye. Only the colorful—and powerless—representatives of national policy would be seen. A double government would serve as a model of supranational federation. That there would be free trade and free movement of labor overseen by a strong central state was primary, allowing for a shifting landscape of decentralized national and cultural institutions that would remain secondary. Mises's Habsburg Empire reborn for the twentieth century was an invisible government of the economy first, and a visible government of neutered nations second.

In 1945 Hayek endorsed Mises's idea. Expressing "some doubt as to whether the splitting of [the Habsburg Empire] up into nine independent national states was altogether a fortunate solution," he proposed instead the gathering of the nations into a federation in which "we limited the power of the national States in the interests of some central organization." Power may later be devolved, leading in the most optimistic case to "something like an Eastern European Switzerland."[101] Consistent with the Geneva School principle of constrained nationalism, it was the limiting of national

sovereignty that was key. The nation-state must not be allowed its full independence.

RÖPKE, DOMINIUM, AND IMPERIUM

Hayek, Robbins, and Mises offered the most radical visions of neoliberal federation in the 1930s and 1940s. Their designs offered institutional protection for what Bonn called the invisible economic empire of free trade and free capital mobility. Their collaborator Röpke went into less detail but wrote similarly in 1942 of "the necessity for a true world union, whose structure must be genuinely federal, i.e. composed of regional and continental sub-groups."[102] He extrapolated from his newly beloved Switzerland to the scale of the global to imagine a world in which nation-states had the function of "cantons."[103] Röpke returned to the idea of federation in the spring of 1945 in a book that suggested in its concluding pages that the answer to the German Question was the decentralization of the Bismarckian state into a federal structure.[104] Hayek commended Röpke's proposal in the book's introduction. A free-trade federation, he observed, would deny Germany the "industrial and agricultural self-sufficiency on which her economic war-potential rested" and drive it "to a high degree of specialisation in the fields where she could make the greatest contribution to the prosperity of the world, and at the same time become dependent for her own prosperity on the continued exchange with other countries." As long as free trade was secured, world market demand would act as "the only kind of control which could not be secretly evaded."[105] Federation was once again endorsed as the political corollary to the putatively anonymous economic disciplinary ordering force of trade and capital flows.

Although Röpke proposed a course titled "Economics of International Federation" in Geneva in 1939, he delivered no supranational plans as concrete as those of Mises, Robbins, or Hayek before 1945.[106] Even at the high point of intellectual excitement for plans of international reordering, he delivered dismissive asides about the "lofty plans for a world community of states that are being developed from all quarters."[107] At the same time, his work before 1945 offers key insights into the neoliberal imagination of a world after empire. In his 1942 book *International Economic*

Disintegration, which was the culmination of the project begun at Annecy in 1936, Röpke laid out a dynamic reminiscent of Robbins and Hayek by arguing that the international order had been undermined by the distorting demands of special interests empowered by popular democracy. He summarized this point at the Walter Lippmann Colloquium when he said, "It is not enough to say that economic nationalism is the result of a lack of intelligence among leaders; it is economic interests and professional groups that engage in nationalist policy, it is special interests that dissolve the State."[108]

Anticipating public choice theory by decades, Röpke followed the contemporary work of German ordoliberals Walter Eucken and Franz Böhm by explaining economic nationalism as an outcome of a political strategy by which elected officials embraced pluralism to buy votes with pork—promising subsidies, jobs, wage increases, tax benefits, and tariffs to interest groups in exchange for their political support. The spread of universal male suffrage after the First World War pushed this dynamic into overdrive, turning states into "loot" *(Beute)* to be divided up among clamoring special interests. Burdened with demands for trade protection, high wages, and social benefits, national economies became sluggish and unresponsive to the push and pull of global demand. Under conditions of mass democracy, the state became weak and internally divided as it sought to please all domestic groups at once. Governments overcompensated with visions of autarky and self-sufficiency and wild promises of full employment. States moved further away from what they did best from an economic point of view as industrial countries protected agriculture and agricultural countries stimulated industry.

Röpke saw special interests and the masses using nation-states as weapons to destroy the unity of the world economy and undermine the basis of human prosperity. In his inaugural lecture at the Graduate Institute in Geneva, he laid out his thesis that "planning on a national scale and the disorder on the international scale are not only parallel, but causally connected phenomena."[109] The principle of the world economy was directly at odds with that of the nation. Röpke followed Eucken in referring to the demands of interest groups for economic favors as the "politicization" *(Politisierung)* of the economic sphere.[110] Robbins used the German term to describe the effect of national planning on international economic

relations.[111] Eucken used the word as early as 1932 to talk about how the state was gradually becoming an "economy state … whose actions become dependent on the will of economic groups that use it more or less as a tool."[112] Eucken and Röpke both referred to a "degeneration" of the relationship between economy and state. Eucken wrote that, under the pressure of "the democratization of the world and the unleashing of demonic forces in the nations that it brought with it," economic policy "dissolves into a mass of measures, each one connected to the wishes of various economic power groups, and betrays a total lack of system *(Systemlosigkeit)* rather than a unifying thought or will."[113]

In Eucken and Röpke's understanding, economic nationalism was not an irrational hysteria or an artifact of psychological manipulation but a rational attempt by the diverse groups within a nation to use their political influence —electoral and otherwise—to secure the maximum economic advantages from the state. Pushing back against this pressure would not be achieved simply through persuasion or superior argument. It would take an act of state will. Röpke used a martial metaphor to describe the task in 1942, writing that "the fortress of American protectionist policy can only be taken after the fortress of the New Deal has been taken, and after all of the theories of the 'mature economy,' of 'deficit spending' and 'full employment' have been cleared out, and the monstrous misuse of power of the large interest groups, including farmers and labor unions, has been dammed."[114] To counteract the effects of economic nationalism—and dam the power of the farmers and the labor unions—it was necessary to take the state back from the masses. As we will see in Chapter 6, Eucken and his collaborator Franz Böhm referred to this as the need to create an "economic constitution." They took the phrase directly from the conservative jurist Carl Schmitt, and described the economic constitution as a "total political decision about the ordering of national economic life."[115]

Ordoliberals Eucken and Böhm paid little attention to the international scale, but Röpke scaled their insights upward, proposing a strong state as the way to salvage the world economic order after the end of empire. In a discussion of colonialism at the Lippmann Colloquium, Röpke said, somewhat cryptically, "We must study the actual existing relations between imperialist policy and the role of private enterprise and ask if the essential point is whether, for a well-ordered system, extensive management could

not be replaced by intensive management."[116] What he might mean by this opposition is made clearer in a letter he wrote to Marcel Van Zeeland, another attendee of the colloquium:

> It is possible that in my opinion of the "strong state" *(le gouvernment qui gouverne)* I am even "more fascist" [*faschistischer*] than you yourself, because I would indeed like to see all economic policy decisions concentrated in the hands of a fully independent and vigorous state weakened by no pluralist authorities of a corporatist kind.… I seek the strength of the state in the *intensity,* not the *extensiveness,* of its economic policies. How the constitutional legal structure of such a state should be designed is a question in and of itself for which I have no patent recipe to offer. I share your opinion that the old formulas of parliamentary democracy have proven themselves useless. People must get used to the fact that there is also presidential, authoritarian, yes even—*horribile dictum* [horrible to say]—dictatorial democracy.[117]

Röpke floated here the possibility that forms of authoritarian government may be necessary—or are at least conceivable—to counteract the degeneration of economic policy produced by mass democracy. As with Robbins and Hayek, only such a powerful authority freed from influence by special interests could protect the conditions of free global exchange that the system of empires paired with the gold standard had done until 1914.

As we saw in the Introduction, Röpke offered useful categories from Roman law to help explain the order that the strong state would be necessary to reestablish. In a short 1934 article contending that, properly understood, capitalism itself was anti-imperialist, he argued that the doctrine of geopolitics frequently confused the principles of imperium and dominium.[118] He elaborated in 1942, saying that it was one of the contentions of economic nationalism that "political domination (imperium) is necessary for economic exploitation (dominium)."[119] In the categories of dominium, or what one scholar calls "rule over things," and imperium, "rule over people," Röpke offered legal concepts for the liberal worldview.[120] "*Imperium* and *dominium* are indeed two separate things," he

continued, “but only in a liberal world. In such a world political boundaries are of little economic significance, the world market being more or less a uniform one with practically equal buying and selling opportunities for everybody, regardless of boundaries and nationality.”[121] Röpke made explicit here what Eucken discussed as “the liberal separation of the spheres of the state and the economy” that was undone by the First World War and the economic nationalism that followed.[122]

Röpke’s categories suggested that capitalism produce a doubled world. The ideal neoliberal order would maintain the balance between these two global spheres. These categories gave substance to the invisible. The delineation of the double world corresponded with the double government envisioned by the neoliberals: there would be one world of the economy and ownership, coexisting with another world of nations. In the ideal liberal world, nobody would mistake the lines on the map for meaningful marks in the world of dominium. A strong state—resistant to the pressures of democratic influence—would be necessary to safeguard the economic constitution of the world.

❁ ❁ ❁

In 1937 Walter Lippmann wrote that “the Good Society has no architectural design. There are no blueprints.”[123] He leaned heavily on the work of Mises and Hayek, who had written two years earlier that “we are not intellectually equipped to improve the working of our economic system by ‘planning.’ ”[124] Ironically, the response of the neoliberals to this insight was to immediately begin creating designs, blueprints, and plans, not at the scale of the nation but at the scale of the region and the world. The federation plans of Hayek, Robbins, and Mises were designed as prophylaxis—using institutions to suppress the emergence of special interest demands by design. One of the most critical special interests to suppress was the nation itself.

I have argued in this chapter that neoliberalism was born in part as a critique of national sovereignty. To neoliberals, nations were shifting, provisional, without claims on this or that patch of earth. The political identifications produced by nations led to a disruption of the balance between the economic and the political spheres as participants in

democracies recklessly turned government budgets into reservoirs of personal enrichment. In Chapter 2 I argued that neoliberalism was a critique of the arrogance of a belief in omnipotence. Here I have argued that it also was a critique of what they saw as another colossal act of human arrogance —the belief that societies can create their own laws.

What did the neoliberals pose against the nation? Not only the world economy but the individual. In 1931 LSE economist William H. Hutt coined the term "consumer sovereignty." Hayek adopted the term in 1935, and Bonn used it in 1933. For Hutt it was a solution to the demands of national sovereignty. As the term implied, it was not the nation-state represented by legislatures that was sovereign but the individual within it. Hayek wrote that socialists, who allocated resources from above, were demanding the "abrogation of the sovereignty of the consumer."[125] He followed his Austrian predecessor Carl Menger by seeing the true creative force in the economy as those who either accept or reject a price, and by rejecting a price, produce a new one. At a time when nation-states were claiming more and more of something called "sovereignty," Hayek pickpocketed the term and reassigned it from the nation to the individual consumer. As national self-determination was becoming the buzzword worldwide, he reasserted the notion of individual consumer self-determination.

The apparent dissolution of the state to the granular level of the sovereign consumer, however, was always an illusion. For Hayek, individual consumer sovereignty was only made possible by the superstructure of the federation. Attacking economic and monetary nationalism did not devolve power down to the individual. Instead it split sovereignty—down to the consumer and up to the superstate. In the 1930s and 1940s neoliberal intellectuals pursued denationalization as a program, something to replace empire and tame the disruptive forces of the ascendant nation. The solution that neoliberals concocted to the joined problems of mass democracy, proletarianization, and economic nationalism was the denationalization of government. In variations on the widespread discussion of world government and federalism, Hayek, Robbins, and Mises all proposed what they sometimes called "double government," by which administration of economic issues would be separated from cultural issues and the economy would be depoliticized through a supranational state form.

Although designed with little or no input from the neoliberals themselves, the international postwar order realized some of the demands of double government. Even as the principle of national sovereignty triumphed (sometimes after long struggles of decolonization), most of the world remained within an economic framework overseen by the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT). Created in 1944 along with the World Bank, the IMF helped ensure relatively stable exchange rates and the possibility of converting money from one currency into another. The GATT, signed in 1947, worked toward the free-trade vision and, in the words of the agreement, the "reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce." At the same time, this semblance of economic world government left much to be desired from a neoliberal standpoint. The GATT agreement began by stating its goal as "ensuring full employment"—one of the primary bugbears of neoliberals. And if the IMF was designed, in part, to expose individual nations to the discipline of the world market, its innovation was in permitting nations to insulate themselves against the vagaries of international speculation and so-called hot money flows. Policy autonomy—the ability to tailor economic policy toward the goal of the welfare state—was the hallmark of what was called the Bretton Woods system.

The Bretton Woods system realized parts of the neoliberal dream while also deviating radically in other ways. Of more concern was the transformation of the predominant world authority from the League of Nations to the United Nations. Based on the principle of one-country-one-vote, the UN would usher in the very politicization of economic activity that neoliberal visions of federation sought to prevent. The fantasy of the rebirth of the Open Door British empire in an Open Door world federation would be spoiled by special interests in the Global North and even more so in the Global South, where new nations sought self-determination beyond the supervisory mandate model. One of the most damaging additions to the language of world government after 1945 was the expansion of the idea of human rights. As we will see, neoliberals would aid in the campaign to contain demands for social and economic rights and to institutionalize a parallel global regime in which the investor and the corporation—and not the citizen or refugee—was the paradigmatic rights-bearing subject.

4

A World of Rights

Exchange control in time of peace should be considered an act of aggression and a violation of human rights in international law.

—PHILIP CORTNEY, 1949

Midway through *The Road to Serfdom,* the book he published in 1944 that made him famous, F. A. Hayek inserted a commentary on human rights. His target was specifically the expansive "Declaration of Rights" published by the author and public intellectual H. G. Wells in 1939, a list of eleven articles including the right to education, food, health care, and employment.[1] Hayek did not object so much to the material provisions. His own proposal included elements of a basic social safety net and even countercyclical state spending.[2] As libertarians later lamented, *The Road to Serfdom* called for "the security of a minimum income" and "a comprehensive system of social insurance."[3] What galled Hayek was Wells's combination of the language of rights with a program of centralized economic decision making. For Hayek, rights talk could not work alongside state direction of production and labor. If nebulous categories like "the common welfare" could override one's choice of employment, then individual rights could not exist.[4] Hayek defended the language of individual rights, but only insofar as those rights were negative: the freedom to move one's labor and capital where one saw fit. The rationale was based less on natural law than on utilitarianism: individual choices guided by competition would solve the riddle of the complexity of the market and ensure the best possible division of labor and allocation of resources.

Hayek and Wells moved in the same circles in 1930s Britain—an academic and cultural elite that felt obliged to rethink the foundations of a postwar world. There was a shared sense of duty among Austrian elites like Hayek, Mises, Hans Kelsen, and Hersch Lauterpacht, who had trained to serve what was now a vanished empire, and British elites like John Maynard Keynes, Lionel Robbins, Edwin Cannan, and James Meade, who were seeking to reform a still-living one. The connections were close. One of the drafters of Wells's declaration was Hayek's friend and colleague on the Federal Union's economists committee Barbara Wootton, whose own article followed his now-famous 1939 article on "inter-state federalism" in the *New Commonwealth Quarterly.*[5] Wells published in the same journal himself.[6] In the years before and during the war, Hayek participated in the broad effort of public intellectuals in the West to conceptualize what Wells called in 1940 "The New World Order" that would follow global conflict.[7] When in 1947 Hayek convened a group of intellectuals in Switzerland to form the Mont Pèlerin Society and initiate the postwar neoliberal intellectual movement, he was operating in this same spirit of visionary globalism.[8]

Although scholars routinely note Hayek's inclusion of a safety net in his normative national order, they fail to cast their gaze beyond—or above—the nation.[9] As we saw in Chapter 3, Hayek's blueprint for world order at the end of *The Road to Serfdom* prescribed international federation as an antidote, not a complement, to the expanding welfare state. His national vision balanced state duties with negative rights, but his global order concentrated exclusively on the latter. The powers of an international authority, he wrote, "must above all be able to say 'no' ": no to obstacles to the movement of goods, capital, and people, and, thus, no to protections for infant industries, increased taxation for state spending, and insulation of labor markets.[10] It is telling that the two transgressions of individual rights that Hayek cites are both related to transnational relations. The first was the expropriation of businesses in Central Europe, where owners suddenly became foreign "minorities" in the successor nations of the crumbled Habsburg Empire.[11] The second was the control of the exchange of money from one currency into another and its transport over borders, which he called, with surprising vehemence, "the decisive advance on the path to totalitarianism and the suppression of individual liberty."[12]

Hayek's language of negative rights and the power to say no can give a false impression of a passive or inactive state in his normative global order. Yet creating and securing such an arrangement required proactive engagement. Hayek himself was explicit that the international power needed "an authority capable of enforcing [the] rules."[13] Although after the war Hayek swerved away from engagement with international order, other neoliberals did not. As we will see, neoliberals argued against adding social and economic rights to the basic list of negative rights, even as they made the case for economic rights of their own—above all, the right to keep foreign investment safe and to move capital freely over borders. Like Hayek, they focused on the expropriation of foreign-owned property and controls on capital movements as being the central violations of rights. They would help design institutions that would safeguard the "negative rights" of freedom from expropriation and capital control.

To describe the particular form of rights promoted by neoliberals, I call them "xenos rights," borrowing a term from Hayek. In his last published work, Hayek spoke of the xenos, or guest-friend, in early Greek history, "who was assured individual admission and protection within an alien territory." Hayek suggests that this practice meant that "trade must have developed very much as a matter of personal relations."[14] Elsewhere he wrote that "rules are required which make it possible at each moment to ascertain the boundary of the protected domain of each and thus to distinguish between the *meum* [that which is mine] and the *tuum* [that which is yours]."[15] The category of xenos rights helps us think about individuals having protected rights to safe passage and unmolested ownership of their property and capital, regardless of the territory. It is a right that inheres to the unitary economic space of dominium rather than the fragmented state space of imperium—yet it requires the political institutions of imperium to ensure it.

To neoliberals, the problem of the postwar period was the same problem that plagued states after the First World War: the unconstrained expansion of democracy. In 1932 ordoliberal Walter Eucken denounced "the democratization of the world." By this he meant the universal male suffrage in industrialized nations that brought "the people and their passions, the interest groups and chaotic powers of the masses" into politics.[16] The post-1945 era spread what Wilhelm Röpke called the "rabies democratica"

globally.[17] As the first colonies gained independence from their imperial masters, the international institutions, and the United Nations in particular, became spaces for political claims-making.[18] As one-person-one-vote became one-country-one-vote, Global South nations found spokespeople among the very social democratic economists that the neoliberals had clashed with in the 1930s. Liberals like Haberler and Alexander Loveday had set the tone at the early League of Nations, but it was social democrats like the Swedish Gunnar Myrdal and the Hungarians Nicholas Kaldor and Thomas Balogh who dominated the young UN. The new language of "development" and the subfield of "development economics" helped legitimize worldwide demands for full employment, capital controls, and the right to nationalize foreign-owned assets and resources. As Röpke put it sarcastically, "today's 'human rights' as formulated by the UN include the sacred right of a state to expropriate a power plant."[19]

Neoliberals in the early postwar years felt that they had won the war but were losing the peace. When they gathered to take stock and talk strategies in Mont Pèlerin in 1947, Hayek suggested that they follow the example of socialists. Leftists like the Fabians, some of whom he had cooperated with in the Federal Union and as a professor at the Fabian-founded London School of Economics, had succeeded in shifting debates over time, thus capturing both public opinion and public power and making their vision reality. Scholars have noted how neoliberals began a "long-run war of position" on this understanding of the power of ideas in the postwar moment.[20]

Even as they dug in for the long struggle, neoliberals also engaged in shorter-term "wars of movement." This chapter zeroes in on a specific, little-known case of the role of neoliberal intellectuals in helping to defeat the International Trade Organization (ITO), the institution that was intended to complete the Bretton Woods system, as well as their role in writing first drafts for postwar international investment law. The key players were Michael Heilperin, Philip Cortney, and Ludwig Erhard. Geneva School neoliberals proposed their own vision of a world of rights. Against human rights, they posed the human rights of capital. Against the stateless person, they posed the investor. Against sovereignty and autonomy, they posed the world economy and the international division of labor. Their "national" was both a person and a company. As the mouthpieces of big business's two

largest interest groups, Heilperin and Cortney articulated a polemical, alternative vision of human rights, created lasting precedent for international law, and made concrete Hayek's 1949 demand for a liberal utopia.

THE DANGER OF ECONOMIC DEMOCRACY

The Bretton Woods institutions were born incomplete. The International Monetary Fund (IMF) was responsible for the world's money. It helped keep currency values stable by making short-term loans to nations in trouble, and allowing states to adjust their exchange rates when necessary. The World Bank was responsible for reconstruction and development. It made low-interest, long-term loans and loan guarantees to help build infrastructure and industrial capacity, first in Western Europe and then in the Global South. What was missing was a body responsible for overseeing trade. The entity planned to fill this role was the ITO, which would complete the Bretton Woods trio. Like the IMF and the World Bank, it would be housed in the UN and provide a legal framework for international free trade. First proposed by the United States in 1945, the United Nations Economic and Social Council (ECOSOC) resolved in February 1946 to convene an international conference on trade and employment to draft a charter on world trade.[21]

The original authors of the charter were to be a group of fifteen of the major Global North nations with the addition of India and China. This allocation of decision-making power may have reflected the relative share of trade in the world economy, but it was less than representative, considering that the world contained seventy-one independent countries by 1946. Such a limited democratic principle would have reproduced the two-tier nature of governance in the UN, where a small Security Council had veto power over a large General Assembly. It would have also followed the model of the IMF and the World Bank, where votes were proportionate to a nation's share of world trade. Nudged by the UN, the ITO planning group expanded over time, adding first Chile, Lebanon, and Norway, and then others.[22] The number of nations involved in negotiations at the three meetings—in London in 1946, Geneva in 1947 and Havana in 1948—was

even larger. The addition of Global South nations ended up being momentous, because Latin American and Asian delegates pushed the agenda away from free-trade orthodoxy. Without discrediting the value of international trade, these nations sought to enshrine a parallel right to deviate from the orthodox rules of free trade to protect nascent industries against foreign competition and to pursue domestic development and full employment.[23]

The expansion of the democratic principle in the planning of the ITO was a moment of revolt against the twinned imaginaries of the League of Nations and the International Chamber of Commerce (ICC) as expressed at the World Economic Conference of 1927. No longer would the simple principle of negative integration hold sway. Tariff walls did not exist only to be dismantled but to shelter aspiring infant industries. The chief U.S. negotiator at the ITO recalled a "chorus of denunciation" from the "underdeveloped nations" as they opposed uniform principles in the name of the need for special treatment in the cause of development.[24] The most important way this was expressed was in the governing principle. Unlike the IMF and World Bank, the ITO was to be organized on the principle of one-country-one-vote. Democracy was to be brought to the stage of global economic governance.

The postwar neoliberal movement was born in the midst of the ITO drama, and some of its members played a starring role in it. As delegates met in Geneva in the spring of 1947 to draft the world trade charter, a group of intellectuals gathered at the other end of the lake at the base of Mont Pèlerin. Taking their name from the location, the Mont Pèlerin Society (MPS) became the germ of what its organizer Hayek called "the neoliberal movement."[25] Among those gathered were Mises, Röpke, Robbins, and two future Nobel Memorial Prize winners, Milton Friedman and George Stigler. The MPS picked up from the "Haberler-type" international collaborative projects of the 1930s, including the Lippmann Colloquium, the workshop on Haberler's Depression study, and the Annecy workshop on the world economy.

In Hayek's words, the intention of the MPS was to allow for "personal contact among the proponents of neoliberalism," to "erect a coherent edifice of … neoliberal thought, and to work out its practical application to the problems of different countries." This involved personal contact as well as

translation and distribution of key texts to stimulate the "flow of neoliberal ideas."[26] Like the meetings in Geneva and Paris in the 1930s, the MPS was global in both its mandate and its object of study. Hayek felt that socialists had too long monopolized the language of internationalism. Neoliberals needed to have the courage of their convictions and exhibit the boldness to do what socialists had done for half a century: dream of a utopia. They must conceive of the world they wanted to see, even if that seemed impractical or implausible.[27]

We have already seen that socialists hardly held a monopoly on globalist thought before 1945. Economic liberals in Geneva both inside and outside of the League of Nations had dreamt big in the interwar period as they sought to reimagine and rebuild what they saw as the lost golden age of world capitalism. In many ways the MPS was a continuation of the League's spirit. Many of the figures at Mont Pèlerin—including Mises, Röpke, Hayek, Robbins, Maurice Allais, and Rappard—had either worked at Geneva or presented their work at William Rappard's Graduate Institute. Röpke had planned a meeting in Geneva to gather many of the same players for September 1939, the month the war broke out. The first gathering at Mont Pèlerin was the realization of the international meeting delayed.

Given the Genevan pedigree, it is no surprise that the MPS statement of aims was global in its perspective. Penned by Robbins, it began by observing that "over large stretches of the Earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy." The reference here was not only to communism but also to trends toward social democracy, such as the wave of nationalizations being carried out by the recently elected Labour Party in Britain. The statement concluded by calling for study of "the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations."

The broad—and somewhat vague—sentiments of the MPS statement were given substance a few weeks later when five hundred businessmen from thirty countries convened in Montreux, less than twenty kilometers from Mont Pèlerin, at the first gathering of the International Chamber of Commerce since the war. As described in Chapter 1, Hayek, Mises, Haberler, and Machlup all shared and partially adopted their global

perspective from the ICC, which had been their employer through the 1920s and early 1930s; Mises had represented Austria at more than one ICC meeting in the interwar period. More proximately, the biggest single funder of the first MPS meeting was the Swiss industrialist and diplomat Hans Sulzer, who was a member of council of the ICC's executive committee in the 1930s and one of its vice presidents after 1945.[28] A main financial supporter of the MPS and later a member—and blacklisted by the British for alleged trade with the Nazis—Sulzer helped try to hire Hayek for a chair at the University of Zurich after the war.[29] He was also a member of the Joint Committee of the ICC and Carnegie Endowment for International Peace, which had sponsored major research by the world's leading economists (including Mises) on international economic reconstruction in the 1930s.[30]

If the neoliberal intellectuals spoke from the mountaintop, the ICC was its base. At Montreux, the thirty-eight-year-old Polish American economist Michael Angelo Heilperin, an MPS member who would play a major role in monetary debates of the 1960s, presented the official analysis of the ITO Havana Charter to the gathered businesspeople. Heilperin was a quintessential member of the Geneva School. Born in Warsaw in 1909, he completed his undergraduate and graduate degrees at the University of Geneva, in 1929 and 1931. His dissertation (written in French) was on the monetary problems produced by the collapse of the Habsburg Empire. In 1934 he had generated serious interest from the Rockefeller Foundation to fund the creation of an International Monetary Institute in Geneva.[31] A student of Rappard's, Heilperin took a position at Geneva's Graduate Institute for International Studies in 1935, a year after Mises.[32] For three years he worked "in almost daily contact" with Mises and also alongside Röpke, who arrived at the institute in 1937.[33] Heilperin presented on monetary issues at the Lippmann Colloquium in 1938.[34] He was a vocal member of the MPS after the war as well as an associate editor of *Fortune* magazine, a participant in Bilderberg meetings and in the Bellagio Group meetings that helped end the Bretton Woods system of fixed but adjustable exchange rates.[35]

Heilperin first became involved with international business circles in 1943, when he took a leave of absence from his position at Hamilton College to work as an adviser for the pharmaceutical and cosmetics

company Bristol-Meyers, which had flagship products in laxatives and toothpastes and secured a major contract to supply penicillin to Allied soldiers during the war.[36] At the 1944 International Business Conference, which brought together the ICC, the National Association of Manufacturers, and others, Heilperin was the rapporteur for the section on international monetary relations.[37] Enjoying the highest consultative status on the UN Economic and Social Council, the ICC was a participant at every stage of the attempt to create the ITO.[38] As the ICC adviser, Heilperin was one of the few Americans attending both the Geneva and Havana conferences in an unofficial capacity.[39] When the president of Bristol-Myers, Lee H. Bristol, appeared before the U.S. Congress in 1950 to reject the ITO charter, he brought Heilperin along, drew exclusively from his analysis, and deferred to him during the session for details that he was unable to provide.[40]

Heilperin's statement of opposition to the Havana Charter at Montreux was a near carbon copy of the position of the ICC and the League of Nations at the World Economic Conference of 1927—an event that, according to Heilperin, was "the high point of international endeavor" and produced "the most comprehensive report of its kind, a well-reasoned document" but, regrettably, included no mechanism for enforcement or commitment.[41] Like the 1927 report, Heilperin demanded negative integration. For the "overall growth of productivity, trade, investment, and living standards *throughout the whole world,*" a system was needed "in which goods, capital, and men can move and services be exchanged with the greatest possible freedom from country to country."[42]

Heilperin condemned the proposed ITO, using the term of critique from the 1930s: "economic nationalism." According to Heilperin, the number of exceptions, emergency clauses, and opt-outs in the Havana Charter had made it "the first international charter of economic nationalism ever written in the long history of the civilized world."[43] For Heilperin and the ICC, the ITO charter was a "dangerous document," above all in its transposition of democracy into international relations. Speaking before the U.S. Congress, Bristol said that the "one-country-one vote voting procedure is unacceptable." It threatened to create a situation in which "the rules of international commerce are being laid down by large numbers of countries who have a minor stake in international trade and often very little experience in conducting commercial policy."[44]

Heilperin expanded his critique of the ITO to general observations about the world since the end of the First World War. He noted that the period had been marked by a paradox: barriers to international trade and exchange multiplied even as awareness of global economic interdependence increased.[45] This had brought a series of quixotic hopes, such as the "insulation" promoted by Keynes and seen by many as at the heart of the postwar order. The essence of the goal of "policy autonomy" was that a nation should be free to break the rules of the game when it chose to. The Havana Conference, intended as a performance of internationalism, became a "very illuminating and enlightening seminar in present day nationalism."[46] To Heilperin, the ITO was a banner case of the failure to recognize the need for a double government for imperium and dominium.

Speaking to another gathering of industrialists, Heilperin said that a "good" ITO would "prohibit" any and all forms of blocking capital and goods, as well as more subtle forms of distorting the market through subsidizing production.[47] Heilperin put "sovereignty" in quotation marks, implying that the term had no intrinsic meaning when applied to economic matters.[48] In a paper based on a lecture delivered at the Graduate Institute in Geneva, he did the same with "autonomy," similarly discrediting the notion.[49] In Heilperin's reading, exercising economic sovereignty and economic autonomy were not simply inadvisable—they were impossible.

Heilperin phrased part of his critique in terms of what I have called capitalism's double world. One stratum of the world was that of the earth's natural endowments and the space of production, distribution, and ownership. The other stratum was the political world of nations and states. The category mistake of the sovereignty claim was to assert political control over the world of nature and economics. Heilperin elaborated on this in 1952. In physical terms, he said, "the planet is a single unit which cannot be subdivided into equivalent or self-contained parts. Politically, however, it is divided into a multitude of separate states, all bent on independence, often seeking at least partial economic self-sufficiency."[50] The resources of the earth, including climates, seas, and the earth's inner core, do "not favor the kind of political divisions which prevail on our planet." "There is no way," he wrote, "in which the political division of the planet can be reconciled with its physical structure by apportioning in some way or other the surface and the resources of the globe among individual states. The alternative is to

reduce the importance of political divisions in terms of economic relationships."[51]

Heilperin's vision of order was multilateral but also unilateral: it brooked no deviations from the strictures of free trade. It was not only that he brushed away the complaint of infringement on sovereignty. Consistent with the Geneva School position of militant globalism developed since the 1930s, diminishing sovereignty was the exact point. He wrote directly that it was necessary to "subordinate" national objectives to international order.[52] He echoed the federalist vision of Mises, Robbins, and Hayek when he argued that "the importance of national boundaries … must be radically and drastically reduced." They must become "mere administrative demarcation lines," and national governments must "have only limited powers over their populations."[53] In its strong form, this would require what he called "geopolitics in reverse gear," reengineering national boundaries to actively *diminish* their capacity for self-sufficiency.[54]

Heilperin's demands for a muscular ITO that would bind nations to free trade and potentially shrink them to increase dependency on world trade was the first example of a postwar neoliberal utopia being articulated in full. It was also done within the world's most important business advocacy group. The solution was radical and no doubt would have been rejected by his employers within the "capitalist international." He recognized that very few nations, including the United States, would be willing to sign such a document. Given this fact, it is remarkable to note the verifiable effect that his activism, along with that of fellow neoliberals, had in sinking the ITO.

The ICC opposition to the ITO was a surprise. The organization had been close to the U.S. State Department during and immediately after the war. It stood behind Secretary of State Cordell Hull's push for free trade, and the American Council of the ICC had been one of "the keystones of bipartisan support" for his program.[55] When the Havana Charter came up for a resolution, the reflexive inclination of many ICC members was to follow their pattern of support for the U.S. State Department by signing it. Yet, as the official history of the ICC (written by a former member) recounts, Heilperin found a crucial ally for his opposition in Philip Cortney, an acquaintance of Mises who joined the MPS in 1953.[56] Cortney led the opposition and managed to convince the ICC executive committee to oppose the State Department on a major issue for the first time. The scene

repeated itself at the international meeting when Cortney again led the opposition to the ITO against the British committee, who were disposed to sign the agreement. The decisive moment came when the chairman of the committee, Ernest Mercier, a French industrialist who had attended the Walter Lippmann Colloquium and was also member of the MPS, said he would tender his resignation before accepting the resolution. The resolution died on the floor.[57]

By lining up with Cortney and Heilperin, Mercier scuttled the support of the ICC for the ITO. One observer dubbed the group around Heilperin "the perfectionists" and suggested the "interesting possibility" that "in this case the businessmen were the 'hopeless idealists' while the bureaucrats and college professors who supported the Charter, without being enamored of it, were the 'realists.' "[58] Referring to a statement written by Heilperin, he said that "it is not always easy to tell when these statements are setting out utopian ideals and when they are describing a state of affairs, the business groups think is really attainable."[59] Such critiques failed to see that the utopianism was not incidental but intentional. Heilperin wrote in 1947, "We must agree to go beyond barren and complacent rationalizations of the present (in the name of what is often called 'realism') and seek goals which may appear unattainable … until they have actually been reached."[60] Heilperin and Cortney were fulfilling Hayek's desire from 1949 to the letter by offering a "liberal Utopia … which is not too severely practical, and which does not confine itself to what appears today as politically possible." It was precisely the overreach of the statements that make them amenable to the neoliberal program, which dictated polemic as a means to make liberalism "an intellectual adventure, a deed of courage."[61] What observers saw as a failing, in other words, may have been exactly Heilperin and Cortney's goal—to reject diplomacy and pragmatism and take the fight to the advocates of national economic autonomy. The ICC position statements were not just policy documents but what the Germans call *Kampfschriften,* or fighting documents. As Heilperin put it, the failed world conferences of the interwar period had taught the lesson that "in order to counteract a strong trend it is necessary to hit at it and to hit hard."[62]

In broad terms, the struggle over the ITO pitted the Global North against the Global South. Yet the official U.S. display of compromise to push the Havana Charter shows that it is important not to assume that "the West" was

a single unitary actor in the postwar moment.[63] Far from being intransigent, official U.S. representatives immediately after the war showed a remarkable willingness to respond to the demands of Global South countries. To blame the U.S. failure to ratify the ITO on the unwillingness of big business to give up its sovereignty neglects the fact that the ICC's official position was not that the United States would lose too much sovereignty by participating in the ITO but that the ITO would not infringe *enough* on the sovereignty of signatories. Using the "business international" as an amplifier for a radical vision reminiscent of the federalism of Robbins and Hayek from the 1930s, Geneva School neoliberals outflanked the official government position and helped doom an organization committed to a level of decision-making parity with the poorer nations of the world.[64]

THE HUMAN RIGHT OF CAPITAL FLIGHT

Heilperin's closest ally in opposition to the ITO had been Philip Cortney, who was active within both the American Council of the ICC and the National Association of Manufacturers (NAM). One historian calls Cortney "the major spokesman for the purists" against the Havana Charter.[65] Born Philippe Cotnareanu in Romania in 1895, Cortney emigrated to the United States after taking an engineering degree in France. In 1946 he became an American citizen and president of Coty, a French perfume company. Cortney was a member of the executive committee of the U.S. Council of the ICC and would become its chairman in 1957.[66] He was also a member of the International Relations Committee of NAM, a business advocacy group that was close to the European neoliberals.[67] The committee executive was Noel Sargent, who had hired Mises to work as a paid and unpaid consultant for NAM from 1943 to 1948, when Cortney first met Mises.[68] In 1949 Cortney published his criticism of the ITO under the title *The Economic Munich,* making a polemical analogy between the Charter and Neville Chamberlain's appeasement of Adolf Hitler. Mises was extravagant in his praise, saying that the book would be "read and reread as a classic of economic freedom like the works of Cobden and Bastiat."[69]

The Economic Munich was most notable for its engagement with the language of human rights. Cortney did not reject human rights as such. He

praised the UN's Universal Declaration of Human Rights as a "milestone in man's fight for liberty and human dignity."[70] It was the choice of rights he disagreed with. He condemned the way that the Havana Charter made "full employment" into a "kind of sacred human right," quoting Heilperin's Montreux statement at length in support.[71] Rather than discard the language of human rights as corrupted, Cortney added his own. In a strong statement he proposed that "exchange control in time of peace should be considered an act of aggression and a violation of human rights in international law."[72] By exchange control, Cortney meant what is better known as capital controls: the right to change money from one currency to another, specifically with the goal of transferring the money over a national border. The right to use capital controls was included in the framework of the IMF at Bretton Woods, a fact that Heilperin condemned as one of its crucial failings. Though many observers felt that the flow of "hot money" being invested by speculators back and forth across the Atlantic in the 1920s had helped precipitate the crash, Heilperin turned the problem around. "It is not the money that is 'hot,' " he said, "but the place from which it takes flight."[73] If capital controls were removed, countries that had drawn investors would have to establish conditions hospitable enough to induce foreign capital to remain.

Cortney's rhetorical move was to reframe the question from an economic matter into a matter of human rights. He linked capital control to the right to leave a country as such. Because "the right to leave a country is for all practical purposes, meaningless unless one is entitled to take with him belongings," he argued that one must under all circumstances be allowed to exchange and export capital.[74] Cortney described the right to emigrate as the "basis of all his other human rights," noting that it is included in the Universal Declaration of Human Rights (Article 13) but suggesting that this should have gone further by linking it to its necessary prerequisite: the right of free capital movement.[75] Cortney was effectively proposing the human right of capital flight.

In a postwar climate preoccupied with the rights of refugees and asylum seekers to stay once they had escaped danger, Cortney stood out for linking his claim of the human right of capital movement to the right to leave. His demand was neither spurious nor ill-informed. Cortney was a lifetime member of the American Society of International Law, and Philip Jessup,

one of the fathers of transnational law, cited Cortney himself on the fact that exchange control can "effectively destroy" the right to emigrate.[76] Cortney's ingenuity was to read what was not intended as an economic right as an aspect of the economic constitution of the world, deeming money an item of property inhabiting the economic sphere that transcends political jurisdiction. Capital requires the protection of universal rights, in his interpretation. Consistent with ordoglobalism, he called for the constitutionalization of free-market principles, demanding that "exchange controls should be outlawed in the national constitutions."[77]

What seems like an act of cynicism on Cortney's part is actually consistent with the Geneva School neoliberal approach to the question of human rights in the years after 1945. Rather than reject human rights outright, the neoliberal tendency has been to undermine social democratic interpretations of human rights and international law while simultaneously co-opting them to cover clearly capitalist prerogatives. To say this was (or is) a critique of "social and economic rights" would be misleading, because the free movement of capital, goods, and labor was just as much a social and economic right as the demand for social security, employment, or nourishment. Indeed, as we will see in Chapter 6, the so-called market rights enshrined in the European Economic Community treaty were central to the neoliberal vision of Europe. Against Roosevelt's Four Freedoms—of speech, of worship, from fear, from want—neoliberals posed the four freedoms of capital, goods, services, and labor.

THE CAPITALIST MAGNA CARTA

Heilperin wore two hats at the Montreux conference in 1947. The first was as the ICC's man at the table for the ITO negotiations. The second was as the primary author of the ICC's International Code to Protect Foreign Investments. This latter document worked within Cortney's imaginary by tying business demands to the language of rights. At the conference Heilperin announced the need for "a code of fair practices in the field of international investments."[78] The draft code came out of the Committee on Foreign Investments, for which Heilperin was the rapporteur. It built on attempts made by the League of Nations in 1929 at a Conference on the

Treatment of Foreigners and on a 1939 proposal from the ICC on the "legal treatment of foreign companies."[79] Picking up on prewar roots, the proposal was the first version of what would become today's regime of international investment law.

Working with rather than against the UN, Heilperin and the ICC felt that the code of investors' rights was to act as a supplement to the Universal Declaration of Human Rights. The ICC tasked ECOSOC with turning the code into "a universal convention" for later adoption.[80] The preamble, likely written by Heilperin, took direct aim at a December 1947 report by a UN subcommission submitted by Uruguay that criticized the "special danger of direct foreign investments interfering in the political and economic affairs of those countries."[81] By contrast, the ICC code called for nationals (which it defined as "not only physical persons but also incorporated or unincorporated associations") to enjoy the civil rights not of the host state but of their own state, even if this might grant them a "preferential" position.[82] Heilperin had already noted in his 1947 book that the protection for foreign investors had to exceed that for citizens. If capital controls applied to citizens, for example, they must not be allowed to apply to aliens. "Equality of treatment," he said, "does not suffice.[83] In a classic demand for xenos rights, the alien investor must actually have more rights than citizens.

The focus of neoliberals and big business on investor rights in 1947 was motivated by the perceived precariousness of private property both during and after the Second World War. The decline had begun during the First World War, when, as Röpke noted, "disregard of the private property of the enemy had become the rule among the belligerents."[84] The Soviet Union's expropriation of property after 1917 had been a signal rupture, followed by what a U.S. State Department adviser called a "dreary succession of such takings in the period between the wars."[85] It was such acts of expropriating foreign-owned property—or what was called nostrification in postimperial Central Europe when the property was given to private nationals—that Hayek complained of in *The Road to Serfdom.*[86] Even though foreign owners were often compensated at above-market price for such nationalizations worldwide, observers regularly cited cases, such as the Mexican nationalization of oil in 1938, as evidence of a global erosion of property rights.[87]

Neoliberals saw the disrespect of what were variously called "foreign rights" and "alien rights" of capitalists continuing into the postwar period. The specific sparks to their outrage were sometimes surprising. The proximate context for Cortney's call to designate exchange control a "violation of human rights," for example, was the cooperation of the U.S. and Western European governments to repatriate concealed Western European assets as part of the Marshall Plan. Cortney said that in doing this, the United States was assuming "the role of a Gestapo" in locating European assets in American bank accounts.[88] Röpke railed in a similar vein against the confiscation of German assets in Switzerland after the Second World War, saying that it undermined "the principle of the separation of sovereignty and property in the case of war."[89]

Considering the horrors of the war, it is startling to find an intellectual perceiving its lasting scandal as being the loss of foreign-owned property by citizens of the aggressor nation. Yet to Röpke and Cortney, these were not isolated grievances but symptoms of a larger malady. In demanding an economic constitution of the world, Geneva School neoliberals insisted that governing a territory did not mean owning the property within it. The campaign of the ICC and its neoliberal advisers was to create a legal framework to uphold the distinction between the imperium of government and the dominium of property. Neoliberals reached to the armory of law to rebuild the distinction between property and territory.

The ICC's proposal was taken up by an ECOSOC more sympathetic to social democratic nation-based demands than doctrinaire globalist business rights. In the postwar decades, the UN General Assembly became the "midwife" to the principle of "permanent national sovereignty over natural resources."[90] After a proposal by Uruguay and Bolivia, the UN General Assembly in 1952 passed its first resolution of many declaring that "the right of peoples freely to use and exploit their natural wealth and resources is inherent in their sovereignty."[91] Responding to a trend toward nationalization with UN sanction, the German Society for the Protection of Foreign Investment revived Heilperin's ICC code as a basis for its own Draft Convention. At the Society's inaugural meeting in 1956, MPS member Ludwig Erhard declared that "especially in the Western world, infractions against private property are eating further and further in, like a sneaking poison."[92] Erhard's placement of the danger to property in the

West was consistent with the neoliberal interpretation, which held that social democracy in the Global North was working in tandem with nationalizing tendencies in the Global South to imperil the sanctity of property. At an MPS meeting in 1957, Arthur Shenfield said that "if it became clear that the capital of the West could be obtained only by those who respected the rights of capital, there would be a very salutary influence on the internal conduct of affairs in the prospective borrowing countries. But for that, of course, the West must itself learn again to understand and respect the rights of capital owners."[93]

In 1952 Mises observed the irony of the disavowed symmetry between Global South and North when he said, "If it is right for the British to nationalize the British coal mines, it cannot be wrong for the Iranians to nationalize the Iranian oil industry. If Mr. Attlee were consistent, he would have congratulated the Iranians on their great socialist achievement."[94] Röpke wrote a year later that "the Mossadeqs appeal to the Atlees and the Bevans, who have inspired them with the idea of nationalization."[95] In fact, the British case against the expropriation of Anglo-Iranian Oil was one of the most important signals to the international business community that new standards were necessary for more robust protection of foreign property. The German Society's president, the Deutsche Bank head Hermann Josef Abs, who had overseen the expropriation of Jewish property in the Third Reich, became an international spokesperson for property rights in the second half of the 1950s. After the Society drafted an "International Convention for the Mutual Protection of Private Property Rights in Foreign Countries," Abs made his case before the American Society of International Law in 1956 and, most influentially, in a San Francisco speech at the International Industrial Development Conference on October 15, 1957, in which he cited the ICC statement. The speech, titled "The Safety of Capital," was reported in *Time* magazine under the headline "A Capitalist Magna Carta" in an issue that featured Ludwig Erhard on its cover.

Abs's proposal opened an international conversation on the rights of the investor.[96] His "capitalist Magna Carta" would oblige signees to abstain from "direct or indirect illegal interference" with "foreign capital" and would create an International Court of Arbitration to judge violations. Investors could turn to the third-party court first, without using local courts.[97] To punctuate the need for his code, Abs brought up the recent cases

of the expropriation of the Anglo-Iranian Oil Company, the United Fruit Company in Guatemala, the Suez Canal, Dutch land in Indonesia, and foreign-owned power plants in Argentina.[98] For Abs, like the ICC, the UN had become an enemy accomplice of the property thieves, passing resolutions supporting the idea that "expropriations are permissible at any time without compensation."[99]

That an individual who had been an active participant in processing the expropriation of the property of German Jews would later be actively defending property was incongruous, but Abs did not act from amnesia or repentance. In his San Francisco speech he made a point of raising Cortney and Röpke's bugbear issue of foreign holders of accounts of German banks who were "still waiting for a fair settlement."[100] Abs was the man who signed the document forgiving Germany's massive war debt in 1953, and it is known that he did so in the belief that it was not forgiveness per se but instead a just settling of accounts for the German assets seized abroad. Abs's campaign for investor protection was a continuation of the dogged commitment to the economic constitution dividing the public world of states from the private world of property. Part of his original proposal, described by an observer as "idealistic," would have made alien property immune from confiscation during times of war.[101]

The capitalist Magna Carta drew interest in the United States. The chair of the judiciary committee of New York, Emmanuel Celler, declared the urgency of Abs's Magna Carta as he described a monument on a Mexico City boulevard commemorating the nationalization of oil and spoke balefully of "the law of the jungle" prevailing in Indonesia, where Dutch assets were expropriated by "wild men bent upon revenge."[102] "It would indeed be a great achievement," he said, "if West Germany could blaze a trail to the creation of such a Magna Carta under the leadership of Abs and Erhard."[103] By the late 1950s the struggle against expropriation was taking on a racialized language of the rule of law against the rule of the jungle, pitting the rational West against a Global South, with its "emotional" commitment to sovereignty.[104]

Combined with the work of a group of British attorneys under Sir Hartley Shawcross, Abs circulated a "Draft Convention on Investments Abroad" for comment in 1959. The document was concerned entirely with the protection of the property of "nationals," which were defined not as

individuals but (following the ICC code) as "companies," including "both juridical persons recognized as such by the law of a Party and associations even if they do not possess legal personality."[105] The legal experts who commented on the convention were not encouraging. The preamble of the convention presented itself as a "restatement of principles," one expert noted, but "in several respects, it is clearly a good deal more than that."[106] They saw the convention as unprecedented in the protection it gave the foreign investor.[107] In every instance, it tipped toward the investor, dismissing "public interest" as a reason for expropriation, allowing investors to turn to an international court before national courts, and breaking with current practice by forcing compensation to be made in the investor's own currency and making the primary object of protection the company rather than the individual.[108]

By referring to both "direct" and "indirect" expropriation, the Abs-Shawcross convention even anticipated the later inclusion of "regulatory expropriation" in international codes. One contemporary critic noted, "It is difficult to determine where indirect deprivation of property ends and, for instance, taxation, planning legislation, or property law reform begins."[109] A former legal adviser to the State Department most sharply pointed out the lopsidedness of the convention. He wondered whether the proposition was not "to secure a commitment from a country that it must be prepared to take food from the mouth of its people in order to pay compensation in foreign exchange for property taken in exercise of its eminent domain power." He asked if this would amount to "an effort to erect 'property rights' over the 'human right' to eat."[110]

Demonstrating how far such a convention was from reality, one law-yer noted that the United States had been able to secure only "watered-down" commercial investment-protection treaties with a handful of Global South countries, and had no success at all with either recently decolonized nations or South American nations, which were major destinations for foreign capital.[111] One interpretation could be that the Abs-Shawcross convention, like the ICC Code, was not a serious proposal. It was a polemical document, outlining a dream world in which capital not only moved unobstructed globally but was encased globally by both home states and supranational third-party institutions of arbitration. What is clear is that neither of them were attempts to meet developing nations halfway. Rather,

they were gauntlets thrown down to the Global South. It is symptomatic, as critics noted, that neither the ICC nor the Abs-Shawcross convention even acknowledged investment protection proposals coming from the Global South, including one in particular from Malaya, that sought to balance the needs of capital-importing and exporting countries.[112] The codes were coded threats of their own, seeking to discipline what their authors and champions saw as Third World overreach.

THE BILATERAL FIX

Given the utopian nature of the proposed international investment codes, it is a startling recognition of the long-term defeat of the bargaining power of the Global South that those codes have become reality over time. Modern international investment treaties now largely resemble the Abs-Shawcross "Draft."[113] A major difference between Heilperin's proposals and what later came into effect, however, was the switch from the mulitilateral to the bilateral approach. In 1958 U.S. representative James G. Fulton (R-PA), one of the chief negotiators for the ITO, praised the idea of the capitalist Magna Carta but conceded that the world charter had shown the difficulty of the universal demand. He suggested that bilateral treaties might be used instead.[114] From the beginning the ICC had indicated that a universal code was preferable, but their document would also work as the basis for bilateral relationships.[115] In fact, the Montreux Congress had also produced a Model Bilateral Agreement drawing on interwar templates.[116] Heilperin himself announced the failure of the " 'universalist approach' to the problems of restoring the world economy to its former health."[117] When a second edition of his 1947 book *The Trade of Nations* came out in 1952, he stated that his opinion had moved in the intervening years to the quality of the bilateral treaty. State-to-state treaties were indeed much more the norm, including the Freedom of Commerce and Navigation treaties that the U.S. used up until the 1980s.[118]

The Bilateral Investment Treaty ended up offering the path that investor rights took from utopia to reality. Here, too, there was an MPS story. In 1959 the *New York Times* reported that Pakistan had "embarked upon a radical program of economic rehabilitation charted by the men behind West

Germany's remarkable postwar recovery." Ludwig Erhard, economics minister for West Germany and MPS member, visited Pakistan in late 1958, and his policy advice was adopted "in toto" by General Mohammad Ayub Khan after his seizure of power in a coup. The advice was to halt the country's industrialization campaign and to focus on agriculture to start an "all out export drive" on food crops.[119] In 1959 Egon Sohmen, another MPS member, referred in the leading American economics journal to Pakistan's "thoroughgoing reappraisal of its development planning along neoliberal lines."[120] The strategy was consistent with the development discourse in the MPS, which criticized a potential "overindustrialization" of the periphery and encouraged the Global South to keep its place in the international division of labor through agricultural production.[121]

Part of Pakistan's reform was the signing of what became the template for all future bilateral investment treaties. Signed by the West German and Pakistani governments in November 1959, Erhard submitted the "Treaty for the Promotion and Protection of Investments" to the Bundestag in 1961.[122] The treaty took language straight from the ICC Code and the Abs-Shawcross Draft, including the provision on compensation in the alien's home currency and the expanded definition of "nationals" to include "any other company or association, with or without legal personality."[123] Where the universal approach had failed, the particular approach succeeded, bringing the seemingly radical conditions of international investor protection into binding law.

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Hayek began one of his books by comparing the law to a knife. "Just as a man, setting out on a walking tour, will take his pocketknife with him, not for a particular foreseen use but in order to be equipped for various possible contingencies, or to be able to cope with kinds of situations likely to occur," he wrote, "so the rules of conduct developed by a group are not means for known particular purposes but adaptations to kinds of situations which past experience has shown to recur in the kind of world we live in."[124] Neoliberals took up the knife of the law in the years after 1945, relying on it to provide a framework for the market. They were compelled to do so for the same reason Hayek, over his lifetime, put increasing faith in the law: the

reckless exercise and geographical expansion of democracy was corroding the principles separating politics from economics.

In the age of decolonization, neoliberals saw international organizations based on the one-nation-one-vote principle as the enemies of world economic order. They were unsuitable candidates for what Hayek called an international power with the authority to say no. The globalist Geneva of the 1930s was a lost Eden for neoliberals. In 1960 Heilperin pined for the League, "inspired by the philosophy of liberalism," which "did all in its power to promote the revival of freer trade and payments and of stable currency relations between nations." The postwar era brought "the United Nations, of which the opposite is largely true," an organization that "has so far proved singularly ineffective in helping rebuild a workable international economy."[125] In many ways neoliberals were League of Nations "lost causers," with the Genevan institution held up as the better version of international organization. Geneva School neoliberals railed against the UN not because it was world government but because it was the wrong kind of world government. It is an irony that this Edenic League, like their Edenic Habsburg Empire, was largely a fantasy, a wishful construct of their own theories. In fact, by 1945 the League had become a leading proponent for expansionary policy at a global level.[126]

One of the continuing questions regarding neoliberalism is whether it is a project to restore class power or a coherent ideology. We have seen that it was both. In the years after 1945, neoliberals worked with and alongside the International Chamber of Commerce to defend the threatened privileges of a specific class. Their imagination, however, exceeded that of their partners. Their radicalism always bore the potential of taking on a life of its own. Even though they worked with organizations grounded in *internationalism,* the *globalism* of the neoliberals often tended toward a goal that their hosts (and funders) did not necessarily share.

When in the years after 1945 neoliberals proposed a "good" ITO that would constrain national sovereignty and make investor rights stronger than civil rights, they were dismissed as dinosaurs or dreamers. Yet what was condemned by contemporaries in the 1950s as a "fallacy of nineteenth-centuryism"—believing the clock could be turned back to an earlier era—has become part of twenty-first-century reality.[127] In the 1990s the number of bilateral investment treaties, based on the original one between West

Germany and Pakistan, quintupled to nearly 2,000.[128] These treaties and bodies would seek to enshrine what one scholar calls the "constitutional protection of capitalism" on the principle of "human rights as business rights."[129] Scholars see the 1970s as a time of the breakthrough of "the human rights of capital."[130] As we have seen here, that movement has an earlier history.

Defending the rights of the investor was an important early fight for neoliberal intellectuals and one they engaged in with their partners from the 1920s of the ICC. Although their campaign was framed as one for the sanctity of property rights, it is more accurately a fight for the sanctity of capital mobility. They were fighting, not for the right to own and stay, but for the right to sell and leave. In the aftermath of the Second World War, as international law was being rethought to accommodate the problem of the stateless and the refugee, international economic law was being formulated to protect the rights of what one contemporary called "refugee money" and the human right of capital flight.[131] If, as historians argue, nobody believed that the human rights of the 1940s should be enforceable at the cost of state sovereignty, it is notable that many believed that the private rights of capital should be enforceable in exactly that way. Although the actual practice of international investment law has been far from seamless, its postwar origin story provides a pointed case of the political activism of neoliberals in their quest to encase the world economy.

5

A World of Races

> Let me recall Mill's dictum that there can be no liberty for "savages." Replace this harsh word by "politically and intellectually immature people" and reflect on the proposition that full democracy may not be the most suitable system of government for such people; that, for example, the unlimited right to vote and elect the men who will govern the country may lead to the destruction of many other freedoms and also of any real chance for economic development.
>
> —FRITZ MACHLUP, 1969

Empires could end, neoliberals argued after 1945, but only if capital rights were secured and nation-states were kept from impeding the free flow of money and goods. But how to ensure this outcome in an era of decolonization when liberation, self-determination, and sovereignty were touted as the defining traits of statehood? At a Mont Pèlerin Society (MPS) meeting in Saint Moritz, Switzerland, in 1957, British economist and later MPS president Arthur Shenfield presented the paradox in two parts: First, "the liberal does not have to be a democrat but it is uncommonly difficult for him not to be." Second, "he does not have to allow the claim of dependent peoples to choose to misrule themselves but it is by no means easy for him not to do so."[1] MPS member Fritz Machlup made a similar point in a letter to Gottfried Haberler a decade later when he observed that "the cost of democracy is rather high. It makes it impossible to do what ought to be done and forces one to do what ought not to be done, in the public interest."[2]

To neoliberals, the principles of mass democracy and national self-determination were vexed. They were useful and could not be easily undone, but they also bore the potential for world economic disruption. In the postwar years the neoliberal position appeared to be losing. Like the

Habsburg successor states before them, new countries in Africa and Asia, alongside older developing nations in Latin America, sought to build up their own industry and secure protection from global competition. The aspirations of new nations were aided by the prevailing economic theories. U.S. academics and policy makers, flush with postwar optimism and determined to counter the lure of communism, established an epistemology that sanctioned the political goal of what Elizabeth Borgwardt calls "a New Deal for the world," complete with full employment, transnational unionism, and opportunities for both big business and democratic governance.[3] So-called modernization theory mapped out a path for national economies to move from agricultural production to "take-off," when new technologies would increase productivity and raise the overall standard of living.[4] Coming late to development was not an obstacle but a boon, economists argued. Developing nations could enjoy the "advantages of backwardness" by adopting technologies already developed elsewhere. A Nebraskan senator reflected the zeitgeist in his memorable promise to "lift Shanghai up and up, ever up, until it is just like Kansas City."[5]

Yet modernization theory was never as hegemonic as it sometimes seems. Neoliberal critics stalked the vision of a New Deal for the world from the start. MPS members were early skeptics of foreign aid and saw postcolonial dreams of rapid industrialization as the latest variant of economic nationalism.[6] Hayek called it a "naïve fallacy" that industrialization was the only way to development.[7] Neoliberals saw the Bretton Woods system, which scholars have called embedded liberalism, as a path to isolation feeding delusions of national autonomy.[8] The neoliberal critique of mainstream development theories began with the conviction that the industrialization of formerly agricultural areas (like former colonies) and the protection of agriculture in primarily industrial areas (like Western Europe) distorted the international division of labor and led nations to specialize in branches of production for which their natural endowments were unsuited. A truly liberal world economy, in which capital and goods were exchanged freely, would result in the most efficient use of the earth's resources. Integration into the world market was a pedagogical process. Far from being permitted to shelter themselves from the push and pull of competition, postcolonial nations must be trained by the forces of the world economy to respond correctly to the guidance of market demand. The

vanishing of empire meant a renewed role for what Ludwig von Mises called the reign of competition.

The neoliberal counterproposals for world economic order described in the previous chapters met with little success in the short term. Utopias of deplanning were rejected for the collective risk-pooling of the welfare state. Postwar regimes of free trade were riddled with exceptions, and capital controls were sanctioned by the International Monetary Fund (IMF). Universal investment codes ran aground on the rock of national sovereignty. Part of the problem seemed to be the failure to acknowledge that the world had changed. The Hayekian demand for xenos rights came close to the nineteenth-century principle of extraterritoriality—the immunity of foreign actors from domestic laws. Hayek himself suggested in 1953 that the U.S. government might insure American overseas investors against expropriation or the blocked repatriation of funds. Recipient nations, he said, should "allow American financial institutions to operate unhindered within their territory."[9] But who would force them to do so and why would such high-handedness be accepted? Ludwig von Mises had pointed out the problem in 1943, saying, "It is an illusion to believe that such conflicts could be settled by arbitration on the part of impartial courts. A court can administer justice only according to the articles of a code. But it is exactly these prescriptions and rules which are contested."[10]

Writing the same year, Röpke, an early critic of foreign aid, was also less than sanguine about the viability of reanimating extraterritoriality after the age of empire. Former colonial powers lacked both the will and the power to reinstate such rights, he wrote.[11] An investment code would be partially useful in creating "norms that would be dangerous to flout openly and uncomfortable to circumvent." But to believe that a solution was merely a matter of legal engineering expressed "juridicism," "false internationalism," and, with echoes of the failures of economic diplomacy in the 1930s, a delusional "conferencism."[12] Who would litigate infractions, Röpke wondered. The UN—that organization which "Western state wisdom had constructed such that Europe's voice could barely be heard in comparison to the developing countries"? The International Criminal Court at the Hague? "Just to ask such questions," he said, reflects "the bitterest sarcasm."[13] For Röpke, the postwar international system was a faulty

construction. Relying on it to enforce just conduct for global capitalism would be fatal.

The chief obstacle Röpke saw was not one of design but the more intractable one of culture. He argued that the moral conditions simply did not exist in recipient nations to ensure the safety of capital and would not exist into a future "so distant that it could not be seen even with the eyes of a prophet."[14] Against what he saw as the materialism of the idea of economic development, he posed the importance of "moral infrastructure."[15] Some populations, he argued, had the traits required for success in a system of global capitalism, others did not—and little could change this fact.

My narrative thus far has focused on the ways in which law and economics complemented each other in attempts to design a world safe for capitalism. Now I will highlight a third term—the variable of race—through the overlooked example of the neoliberal relationship to Southern Africa. South Africa and Rhodesia were seen as limit cases in the reorganization of the world after the Second World War. They reasserted racial hierarchy as a formal strategy of rule even as that strategy receded globally. After introducing apartheid in 1948, South Africa left the British Commonwealth in 1961 under near-universal approbation, especially in the United Nations.[16] Rhodesia announced a Unilateral Declaration of Independence in 1965, seceding under white rule. Both countries operated through institutional arrangements that discriminated against the nonwhite population in structures of suffrage and everyday regulations.

Although condemned by international organizations and world public opinion, the alternative version of decolonization practiced by South Africa and Rhodesia had some defenders in the neoliberal movement. One finds here a split within the MPS. On the one hand, the single most high-profile champion for white South Africa in the early 1960s was one of the founders of the neoliberal movement, Röpke himself. His path to strident advocacy for South African apartheid was an idiosyncratic voyage from the moment in the 1930s when he and Alexander Rüstow called for an extra-economic framework as a necessary substrate for liberalism. Amid deepening pessimism about the potential to restore the global economic order in the age of decolonization, Röpke found an explanation in the supposedly in-

built characteristics of race, and reassessed the imperialism he had once condemned.

Röpke's position on apartheid is uncomfortable for his many supporters. With one exception, recent scholarly treatments of Röpke avoid reference to his spirited defense of South Africa; an otherwise comprehensive biography makes no mention of it.[17] His rhetoric is also an ill fit with the intellectual history of the neoliberal movement from the 1920s to the 1980s, in which outright defenses of racial hierarchy play only a marginal role. Röpke's position on apartheid led him away from thinkers like Hayek, Mises, and Heilperin and toward an alliance with the traditionalist conservatives of the U.S. New Right, especially William F. Buckley, who also saw an assault on the principles of Western civilization in anticolonial movements and African American mobilizations for civil rights in the United States.[18] In the early 1960s Röpke came to see Southern Africa as the most important stand for the global front against economic disorder. In his personal fusion of neoliberalism and traditionalist conservatism, white supremacy in Southern Africa was an essential feature of the extra-economic framework securing the world economy.

No other neoliberal defended apartheid in precisely the way Röpke did, and Röpke had resigned from the MPS by the time he made his strongest statements. Yet some other neoliberal thinkers distinguished between apartheid as a comprehensive system of racial segregation and the discrete matter of suffrage for the black population. They argued, as Machlup does in the epigraph to this chapter, that democracy might have to be restricted for certain peoples in order to preserve stability and prosperity.[19] Restricting political freedom, as commonly understood, was necessary under some circumstances to preserve economic freedom. Prominent neoliberals, including Milton Friedman, John Davenport, and Shenfield himself, followed this logic by opposing universal suffrage in Southern Africa.

The most important critic of equal voting rights was, perhaps surprisingly, the person celebrated in the libertarian movement as one of "the original and most passionate opponents of apartheid in South Africa": the British economist William H. Hutt, an MPS member since 1948 who had studied at the London School of Economics (LSE).[20] Hutt's reputation is based on his 1964 book *The Economics of the Color Bar*.[21] While the book advocated nondiscrimination in labor markets, it also proposed a

revision of suffrage—inspired explicitly by Hayek—to immunize the market against the disruptive effects of an empowered population. From the 1940s until his death in the 1980s, Hutt promoted a model of weighted franchise for both South Africa and Rhodesia to counteract the negative effects of democracy. Drawing support for his interpretation from other neoliberals, Hutt promoted a color-blind market but only alongside a ballot box that saw first in black and white and then apportioned voting rights differently to the wealthy and the poor.

The last response to South Africa we will consider here is that of Hayek himself. Having visited the nation twice, Hayek was unambiguous in his public denunciation of apartheid as "both an injustice and an error."[22] Yet he saved even stronger words for the attempts by international organizations to use sanctions and embargoes against apartheid South Africa to compel it to change its internal policies. The neoliberal way of world governance was reflected more in the responses of Hutt and Hayek to apartheid than in Röpke's invocation of a world of races. Hutt offered constraints on democracy designed to lessen the likelihood of economic protectionism and redistribution, and Hayek's militant globalism affirmed that the totality must hold against the ruinous demands of a globalized morality.

RÖPKE AND THE ZAMBEZI LINE

As a nation under white minority rule, South Africa came under increasing international scrutiny as decolonization spread worldwide. After the 1960 Sharpeville massacre in the Transvaal region of South Africa, when police killed sixty-nine people who had been demonstrating against the segregationist pass laws, and the subsequent prohibition in South Africa of all anti-apartheid groups, it was ever more difficult to argue that the country was anything other than a racist police state.[23] The United States criticized the regime formally beginning in 1958, when the Eisenhower administration first signed an anti-apartheid resolution at the UN.[24] Scholars have traced the wavering line of the U.S. government as it sought to placate African and Asian opinion through symbolic actions against South Africa, including a partial arms embargo in 1963, without endangering economic

ties and political relations, not least because it relied on South Africa as a source of uranium and other strategic minerals.[25]

It was in this atmosphere that Röpke wrote what he called "an attempt at a positive appraisal" of South Africa in 1964. In the pamphlet, he observed that "the South African Negro is not only a man of an utterly different race but, at the same time, stems from a completely different type and level of civilization."[26] Describing South Africa as "one of the most prosperous and —in certain respects—irreplaceable nations in the world economy," Röpke praised "the extraordinary qualities of its white population, who live under unusually favorable climatic conditions and possess a pioneering spirit that can be compared only with that found in the United States."[27] The country's most notable features were its attractiveness to tourists, its "relatively favorable tax structure," and the high returns it offered on foreign investment.[28]

The policy of apartheid was not oppressive, Röpke argued. It was instead "the specific form in which South Africa pursues the policy of 'decolonializing' and 'development aid' which corresponds to this country's needs."[29] It was necessary because the nonwhites of South Africa were "at a stage of development which excludes true, spiritual and political integration with the highly civilized Whites, and are at present in such numbers that they threaten to overwhelm the latter who are present upholders of the political, cultural and economic order."[30] Drawing a parallel to Israel, he wrote that, as with the relationship of the Jewish population to the Arabs, to provide full political equality to the black population would be to commit "national suicide."[31]

Following his corpus of writing from the 1930s and 1940s, in which race played little to no role as a category of analysis—and after his principled stance against anti-Semitism that led to his emigration from Nazi Germany —it is striking to see South Africa praised in Röpke's political geography in the 1960s as a white stronghold.[32] To prevent the country from turning into "another Congo or Indonesia," he called for "a Zambezi line" to "divide the black-controlled northern part of the continent from the white-controlled south."[33] For reasons of racial difference, economics and Realpolitik, Röpke believed that white supremacy had to persist in South Africa.

The South African government was grateful for the rhetorical ammunition. They ordered three translations and sixteen thousand copies of

the book in which the article was to appear.[34] The next year they ordered twenty thousand offprints of the article for distribution in the United States.[35] Defenders of apartheid quoted Röpke's work in their own pamphlets.[36] Röpke could not rely on his usual European allies on the South Africa issue, diverging as he did from their own position. The editors of the economic-liberal Swiss newspaper *Neue Zürcher Zeitung,* with whom he had worked for three decades, did not share his zeal for Hendrik Verwoerd's regime.[37] The newspaper published a statement of protest by foreign students when Röpke delivered his paper as part of a lecture series on Africa in Zurich in July 1964.[38] "These *NZZ* intellectuals will not be satisfied until they let a real cannibal speak," Röpke wrote to his primary collaborator from the mid-1960s, Swiss businessman and former MPS European secretary Albert Hunold, who organized the lecture series.[39] Röpke himself supported the appearance of another speaker in the series, the German colonial historian Wahrhold Drascher, who faced criticism when it was made known he had published a white-supremacist monograph in the Third Reich under the title *The Ascendancy of the White Race,* alongside later postwar apologia for Western colonialism.[40] In personal correspondence, Drascher praised Röpke's article on South Africa as "outstanding."[41]

Röpke and Hunold were conscious of the fact that they were parting with the core of the MPS group on the issue of South Africa. Hunold wrote to Röpke from South Africa that their former neoliberal partner, Hayek, "now advocates one man one vote and race mixing." He concluded with contempt: "Nothing surprises me about Hayek anymore."[42] Röpke and Hunold found their primary allies on the apartheid question not in the European neoliberal milieu but in the partially overlapping circles of the U.S. New Right, a community that was often more willing to defend the principle of white rule.[43] In the 1950s Röpke was a steady source of information for the emerging U.S. conservative movement on issues of European integration, postwar reconstruction, and international economics. Buckley and Russell T. Kirk, the figureheads of the movement, corresponded and collaborated extensively with Röpke, and in 1955 his name appeared on the masthead of the first issues of both the *National Review* and *Modern Age,* the New Right's flagship publications.[44] In 1956 Buckley declared himself a "disciple" of Röpke.[45] In correspondence, Kirk

expressed his indebtedness to Röpke's influence and lauded him as the best hope for "humanizing economic thought."[46] After Röpke's South Africa piece was published, libertarian newspaper columnist Lawrence Fertig wrote to congratulate him, commending Röpke's "courage" and "great integrity" in writing it, which, he acknowledged, had "contributed much" to his thinking.[47] Stanford University agricultural economist and German émigré Karl Brandt, who had suggested the name for the MPS, called the piece a "very refined and at the same time enormously strong exposition of the philosophy of freedom."[48] After Buckley published an article of his own defending the Verwoerd government, he wrote that he was "bursting with pride" over the praise Röpke paid to the piece.[49]

How do we reconcile Röpke's racism with the neoliberal discourse of world order, which accepted democratic self-determination on the conditions of free trade and free capital movement? As mentioned in Chapter 2, Röpke's reflections on the Great Depression in the 1930s led him to see extra-economic factors as essential to the preservation of the world economy. He felt that adherence to the gold standard and the free movement of capital and goods had acted before 1914 as "a sort of unwritten *ordre public international,* a secularized Res Publica Christiana, which for that reason spread all over the globe," resulting in a "political and moral integration of the world."[50] As one scholar points out, the system relied as much on "informal constraints, that is, extralegal standards, conventions and moral codes of behavior" as on national laws.[51] In Röpke's view, membership in international society was synonymous with being a responsible actor in the free market. The liberal world order, the heir of a Christian order, was defined as a system of formally ungoverned economic expectations and modes of interaction—it was a community of values, which individual economies could both join and leave, but which supranational institutions could not legislate into existence.

Peripheral to Röpke's account of the era before 1914 as the "glorious sunny day of the western world" was the fact that the nineteenth century was also the era of high imperialism, when much of the earth's territory was partitioned among the European powers.[52] What was to be done, then, in the postwar world, when both the religious basis of international society had been lost and the community of "the West" was splintered by decolonization? The quandary Röpke faced in the 1950s was shared by

many other conservatives and indeed, centrists, as well: How could empire end without losing control of the nonwhite world?[53] Röpke dismissed the proposal for a democratic world government that would welcome postcolonial nations as peers as a Western death wish; the "free world," he wrote, could not be "expected to commit suicide."[54]

One of Röpke's concrete proposals was a form of federation along the lines initiated by Robbins and Hayek in the 1930s: Nations should have formal political sovereignty but a diminished economic autonomy that would be regulated by the free flow of capital and investment over borders.[55] Röpke's recommendation that a rebuilt West Germany be export-oriented stemmed in part from the idea that susceptibility to shifts in the global market would constrain attempts at large-scale and long-term planning.[56] His global vision was consistent with the "rearticulated federalism," seen by Bernhard Walpen as a basic feature of neoliberal thought, that called for the decentralization of authority to remove the collective decision-making capacity for the "emancipatory design of society as a whole."[57] As in the vision of Robbins and Hayek, a loose world federation would help prevent mass popular expectations from becoming reality because the ever-present threat of capital flight would curb campaigns of expansionary social policy. Economic actors voting with their feet—and their assets—would be the surest corrective on projects of building domestic welfare states.[58]

Röpke predicted that the disciplining function of the open world economy would be accompanied by the retrenchment of civilizational blocs in response to what he called "Hannibal at the gates," evoking an earlier moment of the West under threat.[59] Röpke's Hannibal was less the Soviet Union, often characterized as Asiatic in conservative German discourse, and more the decolonizing world. "The more the non-European great powers emerge," he wrote, "and the civilizations of other continents begin to regard us with condescending self-confidence, the more it becomes both natural and necessary for the feeling of spiritual and moral homogeneousness among Europeans to increase powerfully."[60] The borders of the besieged community extended over the ocean. He asserted that "the spiritual and political integration of Europe … only makes sense as part and parcel of a higher combination and organization of the resistance potential of the *entire* western world on both sides of the Atlantic."[61] A morally strengthened

Fortress Occident would arise as a necessary defense against the emboldened populations of the non-West, unanchored as they were from the moral community that bound the West.[62]

Röpke's normative vision for the West and his anxiety about shifts in the global racial order overlapped considerably with the Atlanticism that historians have traced from turn-of-the-century calls for Anglo-American union to the visions of Clarence Streit for the federalist fusion of the United States with Great Britain and Western Europe in the 1930s and 1940s.[63] As we will see in Chapter 6, Röpke opposed the creation of the European Economic Community on the grounds that it would bloat bureaucracy and empower socialist tendencies in Western Europe.[64] Instead, he advocated a European Free Trade Area that would include Britain and, consistent with his federalist vision, entail free trade and convertible currencies but no supranational planning bodies.[65] As one scholar has observed, Röpke and Ludwig Erhard also believed that integration should not happen "at the expense of the Atlantic Community" and based their vision on the "Occidental concept that emphasized the political, social, and historical similarities of the West."[66]

Linked by their common Christian patrimony, Western Europe and North America, in Röpke's view, bore the responsibility for restoring the liberal international economic order lost after 1914. Other neoliberal thinkers downplayed the centrality of culture and race after 1945, but Röpke insisted on its importance. "Racial fanaticism," he wrote in 1965, "does not justify denying that there is something called ethnos, race, and it is of elementary importance."[67] The literature he footnoted was stark in its hierarchical biological essentialism. Among his recommendations for the field of "ethnopsychology" was a study that concluded that "mental capacity tends to be adequate among peoples and races adjusted to cold and temperate climates, but inadequate among those adjusted to hot climates" and warned of "lethal power in the hands of nation-states dominated by populations incapable of rational thought."[68] At a time when biological race was being either marginalized or recoded for many of the social sciences, Röpke brought it to the center of his analysis.

AGAINST THE GLOBAL NEW DEAL

The United States played a key role in Röpke's vision of a rebuilt West. Yet by the 1950s he felt that its government was doing everything in its power to accelerate the disintegration of world order. The problems had begun with the New Deal. Organized labor, protectionism, and planning had "politicized" economic processes and eroded the foundations of liberal international economic relations.[69] The interventionist state was the adversary of the liberal world economy because it sought to empower working populations and raise standards of living within national-territorial space. In the postwar moment, the U.S. government was exporting those expectations, first to Western Europe, and then to the decolonizing world. The economic constitution of the world—a firm division between the world of states and the world economy—was being eroded by American policy.

In one of his first articles in the U.S. conservative publication *The Freeman,* Röpke took aim at the wartime vision of the New Deal for the world. Citing the socioeconomic promise of Roosevelt's Four Freedoms from 1941, he remarked, "It is unlikely that the true liberal will be caught by such glib phrases as the 'Freedom from Want' by which the essence of liberty is surrendered to collectivism."[70] Since the announcement of the Atlantic Charter, Röpke had feared that "the flip side of total war," as one scholar puts it, would be the "sweeping expectation that there would be a welfare state among those mobilized for war."[71] Roosevelt had let the genie of what Röpke called "equalitarianism" out of the bottle to win the war, and it would be difficult to put back in. Filling the category of democracy with economic content would have catastrophically destabilizing effects.

The first consequence of the New Deal's internationalization was the diverse experimentation with planning that emerged in postwar Western Europe.[72] In an attack on Marshall Plan aid for Britain and France in 1950, a Missouri senator quoted Röpke's observation of the irony "that the Marshall Plan, which should have pulled Western Europe out of the muck of collectivistic, nationalist economic policy, has threatened to create a new supercollectivism on a super-state level."[73] Röpke offered colorful terms for the occasion, denouncing the U.S. support for the planning bodies of the European Economic Community (EEC) as "vulgar gigantolatry and

technolatry."[74] International organizations threatened to expand the pernicious effects of planning to an even larger scale. In 1952 the American Enterprise Association (later the American Enterprise Institute) published Röpke's critique of the UN "Report on National and International Measures for Full Employment" (1949), which had been written primarily by British and French Keynesians.[75] Röpke wrote that there was "no other economic issue which appears so attractive and yet may be so dangerous as the one based on this misleading and bitterly discussed concept" of full employment and warned that the report marked the dangerous shift from "national planning" to "international planning."[76]

With the launch of Kennedy's New Frontier program in 1961, Röpke found another "New" entity to place in the crosshairs of critique. In April 1963 he published a half-page editorial in the *Wall Street Journal* titled "Washington's Economics: A German Scholar Sees Nation Moving into Fiscal Socialism." The broadside began by linking the New Deal and the New Frontier: "Thirty years ago, I published an article severely criticizing the economic policies then being pursued by President Roosevelt in the name of a 'New Deal.' " The "New Frontier" of President Kennedy, Röpke continued, was no less worrisome. "The similarity between the 'New Deal' and 'New Frontier' finds expression not only in the general decline in business confidence," he wrote, "but in an openly defiant glorification of 'big government' and in the fiscal megalomania which serves this questionable ideal." Both programs surrendered to the rising wage demands of trade unions and shared an inflationary policy of monetary expansion that expressed "the tendency for the increasingly centralized state of our times to surround like a parasitical vine both society and economy."[77]

The special danger of the New Frontier was that it was literally a global New Deal. Extending Röpke's metaphor, one could say that the vines of the state were creeping outward through an expanding foreign aid program of government loans, which had drawn in the West German partner by 1960, and the more aggressive use of trade unions, including the establishment of the American Institute of Free Labor Development as part of Kennedy's Alliance for Progress. Röpke called foreign aid "the great action by which the ideas and methods of collectivist policy are carried into the world economy" and singled out economist Gunnar Myrdal as proposing the "transposition" of the modern welfare state from the Western to what Röpke

called the "undeveloped" world (consciously avoiding the normative term "*under*developed").[78]

In his article, Röpke attacked by name two authors of the Keynesian growth model and modernization theory, John Kenneth Galbraith and Walt Whitman Rostow, maintaining that the latter preached a "new version of the Rooseveltian illusionism in the dress of economic determinism … which is not nearly as far removed from that of Marx as Prof. Rostow seems to think." Indeed, by promoting what Röpke called "standard of life-ism," the promise of global economic evenness contained in modernization theory had "played a more important role in the advance of communism to its present power than has the whole panoply of Communist tanks, rockets and divisions."[79] Röpke condemned, in other words, the very feature that made development a consensus internationally in the 1950s: that it concentrated on increasing output without being overly prescriptive about the route used to arrive at the goal.[80]

Röpke believed that the "one-sided economism" that exported materialist yardsticks of progress to the Global South alongside a fetish for industrialization would lead to worldwide inflation, the erosion of the world food supply, and the creation of a global urban proletariat alienated from its own traditions.[81] He believed that an economically equal world might simply be impossible, and that developing countries might have to remain underdeveloped as a way of preventing a possible "overindustrialization and underagriculturization of the world."[82] Beyond the structural imbalance of an entirely industrialized world, he added, the conditions for industrialization in the Third World did not exist. He explained global disparities in wealth through cultural essentialism, writing that "the 'rich' countries of today are rich because, along with the necessary prerequisites of modern technology and its industrial use, they have a particular form of economic organization that responds to their spirit [*Geist*]."[83] It was an "uncomfortable fact" but a reality that this spirit could be found only in "sharply curtailed areas … namely the fully developed industrial countries of the free world."[84] As one scholar writes, Röpke believed that the "lack of punctuality, reliability, the inclination to save and to create" in the Global South meant that industrialization schemes in the Global South were "doomed to fail."[85]

Razeen Sally describes Röpke's model as an international "liberalism from below," rooted in extralegal behavioral practices. While he is correct in this sense, he fails to observe the built-in cultural constraints of the model.[86] For Röpke, some paths to development, and thus possible futures, for postcolonial nations were disqualified from the outset. In his opinion, the right to equality encapsulated in the ethos of the welfare state was as unworkable and unwise on the global scale as it was on the national. Inequality was to be understood as an unavoidable characteristic of capitalist society. Whereas one of the greatest attractions of modernization theory has been regarded as its "promise of evenness," Röpke's model saw unevenness as the inevitable continuing status quo within an international division of labor.[87]

Three congressmen entered Röpke's anti-Kennedy polemic into the Congressional Record in a single day in 1963, and another did so in the following weeks.[88] One archconservative followed Röpke in describing the New Frontier as "continuing the master plan of the New Deal." Referring to Rostow and Galbraith, he asked, "Will our people wake up to the designs of these architects of socialism, of slavery, enough to change our course back to capitalism or not?"[89] A moderate Republican also used Röpke's article to criticize Kennedy and the "tired, unimaginative and unworkable theories of the New Deal."[90] Röpke's inflammatory critique of Kennedy and his overseas policy provided Republican policy makers with ammunition to fight the rhetorical war against the New Deal on a global level.

THE ECONOMIST-ORACLE FROM THE OTHER EUROPE

The moment when Röpke's article appeared was one of intensifying mobilization for the U.S. conservative movement. Scholars have shown that business conservatives who organized against the New Deal in the 1930s entered a more public phase of their campaign after Eisenhower's reelection and his embrace of Keynesianism in 1958 under the moniker of "modern Republicanism."[91] Arizona senator Barry Goldwater, who in his 1964 presidential bid would be advised by a coterie of émigré German-speaking economists, entered the national spotlight that year with attacks on Eisenhower's new budget.[92] Röpke himself wrote an exposé for Goldwater

and described him as "a force that is changing the entire picture of American politics."[93] The John Birch Society was formed that fall, and the MPS met in the States for the first time at Princeton University, with the funding of companies including United Fruit and U.S. Steel.[94] This network of right-wing critics shared a willingness to label Eisenhower "socialist," if not "communist," for his move toward Keynesian policy tools. The election of Kennedy in 1960 only amplified the rhetoric, as Röpke's reference to "fiscal socialism" in his *Wall Street Journal* article illustrated.

The moment was also one when panicky U.S. conservatives looked to Western Europe as the bastion of market conformism. For New Rightists, several of whom had strong affective identifications with European high culture, neoliberals like Röpke represented the "Other Europe," embodied in the policies of Economics Minister Ludwig Erhard in West Germany, President Luigi Einaudi in Italy, and De Gaulle adviser Jacques Rueff in France (all MPS members), who professed more faith in market mechanisms and more suspicion of Keynesian demand management than did most U.S. policy makers.[95] These isolated individuals were cast as brave bulwarks; Buckley said that it was Röpke's "tenacious faith in the free enterprise system [that] is largely responsible for the recovery of Western Europe."[96] In a 1963 *Wall Street Journal* article, conservative journalist and MPS member William Henry Chamberlin counted Röpke among "the leaders of the neo-liberal trend in economic thought that has been an important influence in turning European governments away from the goals and methods of collectivism and the planned economy."[97] In a dynamic that would be reversed after the 1970s, the United States seemed more "socialist" than parts of Europe—West Germany and Switzerland, in particular—in the early 1960s to members of the U.S. New Right, with credit for this going to a small group of economic luminaries.[98]

Röpke and other German-speaking economists profited from their perceived objectivity and separation from the scrum of U.S. politics. A letter to the editor after Röpke's 1963 polemic noted that "his message is the more forceful because it is delivered from a comfortable distance which permits unhurried appraisal of the situation."[99] When a business information service sent the article out to its subscribers, it included the following biographical note: "Röpke who voluntarily left Nazi Germany is deemed one of the foremost and perhaps the foremost economist and economic

philosopher of Europe, if not our time. He is also for many years one who has concerned himself in depth with the United States. Obviously, he has no ax to grind; he lives in Geneva; has no political ambitions anywhere; and is a true cosmopolitan."[100] Europe and, for Röpke, Switzerland in particular, represented spatially the otherwise rhetorical redoubt from which embattled conservatives spoke at the turn of the 1960s. This was literal in the case of the MPS, which took its name from the Swiss peak of its first meeting—the "mountain where thinkers dwell" as the *Wall Street Journal* would label it in 1972.[101]

Röpke embraced the role of emissary from the "other Europe" and representative of the "other liberals" who held to principles of private property and competition rather than redistribution and social justice. Three years later he described himself as an "economist from the middle of Europe … who saw it as self-evident that, after all of the experiences and considerations of the last decades, one could not speak of planned economies, full employment policies, nationalization and the welfare state in anything more than a tone of sarcasm."[102] Americans informed him that they were accustomed to hearing the "commitment to the market economy and the critique of socialism … from the presidents of chambers of commerce and bank directors" but that Röpke had proved that "one can be 'conservative' without necessarily being intellectually crude or uneducated, and one can represent this position in a way that is worthy of an intellectual."[103] One scholar argues that identification with relatively obscure European thinkers like Röpke helped the U.S. conservative movement legitimize itself as an intellectual movement in the 1950s and 1960s.[104]

Röpke had his own theory about the dearth of U.S. intellectuals capable of defending the cause of classical liberalism. He saw the root of the problem in the "dynamic competitive economy" of the States, which was producing wealth so quickly that academics were being left behind, losing "social prestige," and expressing their resentment in anticapitalist opinions. The creation of new economic elites was happening so rapidly, Röpke noted, that a joke he told about the *nouveaux riches* during the Weimar inflation years drew blank stares from an audience of wealthy businessmen ignorant of the term.[105] He took it as a goal to bridge the gap between the

"world of business and the world of intellectual life," offering himself as the *philosophe* of the *nouveaux riches.*

Röpke became part of the business conservative public relations offensive through his written work and public actions.[106] It was through these networks that he became part of the international advisory council for a plan to create a "Hall of Free Enterprise" for the 1964 New York World's Fair; its organizers claimed it would be "the first time that the totality of a free economy has ever been put together in simple, visual form."[107] The hall was a paradigmatic representation of the economist as an unerring, neutral source of information. Its central feature was a computer that would print out answers on slips of paper to questions visitors typed in. The *New Republic* reported, "There is a kind of oracular infallibility to this machine that makes it more impressive than a live pundit. A group of awe-stricken visitors punched it and read replies. What it said must be so, they seemed to feel, because after all a machine is unbiased and impartial."[108]

One could argue that German-speaking economists profited from a similar aura of "oracular infallibility" at this critical moment in the 1960s when an ambitious application of worldwide Keynesianism encountered a conservative anti-Keynesian backlash.[109] One of Röpke's correspondents from Venezuela, who studied with Haberler at Harvard and later worked with the EEC, called Röpke a "prophet."[110] One newspaper described him as "one of the high priests of free enterprise" and another compared him to "a skilled medical authority."[111] The "wise men" who advised international financial institutions and later helped direct programs of structural adjustment enjoyed a similar status, achieving a kind of superhuman detachment in their expertise. In 1960, the West German, American, and British central bankers sent to India by the World Bank to provide advice on its Five-Year Plan were referred to as the "three wise men."[112] The West German Council of Economic Experts *(Sachverständigenrat)* created in 1963, was known commonly as the Five Wise Men *(Fünf Weisen)*.[113] Scholars have noted the special prestige enjoyed by economic experts in what a book published in 1968 called "the era of the economists."[114] While it might seem superficially odd to pair the computer and the silver-haired European intellectual, they shared the claim of producing knowledge in a space ostensibly beyond politics.

TAKING THE FRONT SOUTHWARD

The Atlantic front of the conservative resistance to the export of New Deal policies extended southward in the early 1960s in an attempt to build a counterbloc to the Alliance for Progress. Röpke found allies among those who had published his work in local newspapers and translated his books and pamphlets, as well as some former students now in positions of power, such as Peruvian economics minister Pedro Beltrán.[115] In 1963 Röpke wrote to his Mexican contact, MPS member Gustavo Velasco, that he was glad his "anti-Kennedyism" had become known in his country.[116] His *Wall Street Journal* editorial appeared in Venezuela in Spanish translation one month after its original publication. His Mexican publisher, Nicomedas Zuloaga of the Institute for Economic and Social Analysis, wrote, "We are now facing a great danger in our country with the foreign policy of the U.S. toward Latin America. All that policy, we believe, is based on the writings of Mr. Raúl Prebisch of the ECLA [United Nations Economic Commission for Latin America]."[117] The shared enemy was the UN and the egalitarian economics for which it provided space and resources.

Röpke's close collaborator and funder Hunold became convinced of the need to formalize the emerging transatlantic bloc after the Peruvian Chamber of Commerce bought two thousand copies of his talk during a South American speaking tour in 1962.[118] He and Röpke began to canvass for interest in an organization they called the Forum Atlanticum. They hoped the new body would replace the MPS, from which they had both resigned in a long-simmering conflict with Hayek; Röpke described the society in 1963 as filled with "intellectual careerists and intriguers."[119] Distinguishing themselves from both the social democratic consensus and existing organized neoliberalism, they intended the forum to represent more exclusively the strain of conservatism emerging around Kirk and Buckley—which "fused" free-market principles and Christianity—rather than the philosophies of Hayek and Mises, for whom religion was peripheral if not absent. In trying to build support for the forum, they discredited the Austrians to would-be partners, describing their theories as having "no philosophy of society" and excluding "the human in his entirety."[120]

Röpke and Hunold likely hoped to steal a march on the MPS by appealing to Catholic elites. Hunold listed South Americans first among proposed members, including economics professors in Colombia, Venezuela, and Mexico. Cuban émigré businessman and founder of the first anti-Castro organization Rafael Lincoln Diaz-Balart promised to join, contribute, and raise funds for the endeavor in Latin America, no doubt disillusioned by the Kennedy administration's failure at the Bay of Pigs.[121] Conversations with the Chilean senator and university professor Pedro Ibañez Ojeda about the threat of the Alliance for Progress strengthened Hunold's resolve to start the new organization.[122] Ibañez was the head of the Inter-American Committee on Trade and Protection, which provided the "infrastructure and network of connections" for Chicago-trained economists in Chile in the 1960s ahead of their breakthrough after Pinochet's coup.[123] Aside from Ibañez, Kirk, Buckley, Thomas Molnar, Velasco, individuals from Venezuela and Colombia, and the publisher of *U.S.A.* magazine, Alice Widener, other proposed members of the forum in the United States included Brandt, at Stanford, who, like Friedman, would become one of Goldwater's economic advisers in 1964.[124] Hunold also hoped to recruit an "African representative" during a trip to South Africa.[125]

Offering the presidency of the would-be Forum Atlanticum to Kirk, Röpke explained his idea "that the good minds of Europe and of both Americas should … join their forces to present and to bring into focus the common patrimony of our occidental civilization while frankly analyzing and criticizing the hostile tendencies corroding and disintegrating this civilization."[126] This was necessary, he had written earlier, "to enlighten the ever more Americanized and sinistrized Europeans about the ideological obsessions of American intellectuals, without which Kennedy's brain-damaged policies cannot be understood."[127] His old ally Erhard, formerly the West German economics minister and now chancellor, did not realize the threat Kennedy presented, Röpke said; Erhard saw world politics "like a Boy Scout" and had "entered the racket of undeveloped countries" by calling for their "supposedly necessary industrialization."[128] Röpke described Kennedy as a "vain, neo-Jacobin Hamlet, an intelligent ass, an open Germanophobe … surrounded by even bigger asses, a man without political will" and said that Washington's policy "could hardly be any different than if it set out to make the world communist before one could

smell it coming."[129] He wrote in 1962 that Europe existed under the "terror of Kennedy."[130]

The Forum Atlanticum received encouraging signs in 1964. Hunold and Kirk met with U.S. donors John Lynn from the Lilly Endowment and Indianapolis lawyer and MPS member Pierre Goodrich, both of whom seemed supportive.[131] The difficulty came with finding a president. Röpke had suffered his second heart attack in January 1962 in the midst of his departure from the MPS, and his deteriorating health made him an unlikely candidate.[132] Kirk offered "to take the presidential office initially," but only if "no one else at all suitable can be found." He further demurred that he was "so much engaged in assailing the infidel with fire and sword that it might be better to have a president somewhat less ferocious," and also cited his lack of an institutional base and his "incessant wandering."[133] He suggested Brandt instead, who had left the MPS in solidarity with Röpke in 1962.[134] Brandt, though, had been an advisor to Goldwater and no doubt was shaken by his candidate's catastrophic loss in November 1964 and wary of new undertakings. In December of that year, Brandt wrote Röpke to tell him that MPS members (including Antony Fisher, founder of the Institute of Economic Affairs) were encouraging him to rejoin the society, and that he was seriously considering it.[135] Adopting the presidency of what was, in effect, a rival organization might alienate him permanently from the society he had helped name in 1947.[136]

The noncommittal response from would-be leaders among U.S. conservatives imperiled plans for the Forum Atlanticum.[137] Hunold suggested that they gather forces and try again in early 1966, but Röpke's health continued to decline and he died in February of that year.[138] Despite the organization's failure, we can see in the nodes of its proposed network the way Röpke went about finding his "Other America" in the conservative pundits of the North and the pro-business elites of Latin America, just as they found their "Other Europe" in German-speaking neoliberal economists. One scholar notes that Röpke most pointedly targeted the American conservatives around the *National Review* for membership in the new entity.[139] The Forum Atlanticum represented the would-be internationalization of the project fusing free-market liberalism with traditionalist conservatism, whose most effective advocates Röpke saw in the United States. Allying with the traditionalists of the New Right, he

hoped to break out of what he called the "economistic ghetto" of the libertarians attracted to Mises, Hayek, and Friedman.[140] For all his criticism of the United States, Röpke implicitly admired the American New Right's capacity for what J. Howard Pew called, in the title of his postwar conservative organization, Spiritual Mobilization.[141]

THE INTEREST RATE THEORY OF CIVILIZATION

In 1964 Hunold wrote to Röpke from a speaking tour through the U.S. Midwest that he had to change the name of one of his lectures in Peoria, Illinois. The title—"European Economic Integration"—had prompted the director of the local television station to ask, "Do you fellows have a racial problem over there too?" Hunold pointed out that people in the States were preoccupied above all "with integration and segregation."[142] In fact, the intersection of questions of race and economic order were at the forefront of Röpke's concerns in this period. The economist prided himself on taking unpopular positions and being "against the tide" (as his memoir was titled when published in English by Henry Regnery).[143] This was certainly the case in the matter of South Africa. From 1964 until his death in 1966, Röpke's concerns about foreign aid and "occidental civilization" converged in Southern Africa.[144]

Historians have shown how the *National Review* tacked to the right on issues of race in the late 1950s, culminating in Buckley's 1957 editorial opposing desegregation on the grounds that whites were "the advanced race" and that science proved "the median cultural superiority of White over Negro."[145] Yet they rarely note that Buckley's editorial is couched in a defense of European colonialism in Africa. Buckley defended British actions for maintaining colonial control in Kenya (which continued until 1964) as an example to the U.S. South that "the claims of civilization supersede those of universal suffrage," and concluded with an openly antidemocratic argument for white supremacy: "It is more important for any community, *anywhere in the world,* to affirm and live by civilized standards, than to bow to the demands of the numerical majority."[146] Buckley's racial views "did not stop at the water's edge," as one scholar notes. He visited South Africa on paid fact-finding missions in the 1960s

and distributed publications supporting the apartheid government.[147] Buckley's exhortation that "the South must prevail" also meant that whites had to prevail in the Global South.

Röpke's frustration with the tolerance for the claims that nonwhite actors were making on the world stage frequently tipped over into vitriol. In 1963 he expressed "disgust" at the sight of American politicians "groveling in front of the Negro chiefs on the South Africa issue." "To call for 'equality' of the blacks in South Africa is a call for suicide," he wrote, "It is saddening how few people have realized that."[148] Röpke's name continued to add European intellectual luster to the campaign of apartheid apologists after his death. For example, U.S. Representative John M. Ashbrook (R-Ohio), leader of the Draft Goldwater movement, entered a collection of documents about South Africa by the ultra-conservative American-African Affairs Association (AAAA) into the Congressional Record in 1967. Founded by *National Review* publisher William Rusher and African-American former Communist Max Yergan to advocate on behalf of white rule in southern Africa, the AAAA included the core group of New Right luminaries that Röpke had been in contact with since the 1940s, among them Kirk, Regnery, Chamberlin, and Henry Hazlitt.[149] Ashbrook cited Röpke, "the respected economist," as stating that South Africa was "not 'stupid or evil.' "[150] Ashbrook further called attention to the economic consequences of pressuring apartheid South Africa, saying that "little consideration seems to have been given by the UN to the economic disaster which would ensue for all black Africans if the most advanced and productive sector of the continent were disrupted by sanctions or war—which would incidentally concomitantly smash the British economy and end its substantial aid to Africa."[151] In Ashbrook's logic, supported by reference to Röpke, upholding the racist system that disempowered them was economically necessary for the black population itself.

As we saw earlier, Röpke described the "South African Negro" as "a man of an utterly different race" who "stems from a completely different type and level of civilization." Such crude statements of evolutionary racism were relatively rare in print. More common for Röpke was his translation of race into economics. This framework is especially evident in an article published in *Modern Age* in 1966, the year of his death. Lamenting the loss of the "republica Christiana," which could no longer be

relied on as the substrate of social interaction in a secular age, he assured readers that there still was an "international order" that persisted in "Europe and the overseas countries of European settlement," although outside of this there was only "debris." He explained the principle by which he excluded the developing and decolonized world from the international order through the example of the Congo: "As long as the Congo was connected with the international order of the West through Belgium, the guarantee offered by the Belgian government made it possible to raise the enormous sums needed for the economic development and modernization of the Congo largely on the free capital markets by way of the usual loans bearing a normal rate of interest." He then contrasted this earlier moment of inclusion with the mid-1960s, by which time the Congo, "by an ill-considered and panicky act of 'decolonization,' has been severed from the international order of the West." Under this circumstance, there was "simply no rate of interest conceivable at which people in the Western countries might be persuaded to lend their money voluntarily to that country any more than they would to India, Egypt, or Indonesia."[152]

Röpke distilled the question of a nation's proximity to "the West" down to the figure of how much interest the nation would have to pay to borrow money. For him the most pertinent criterion was not culture, ideology, or geography but creditworthiness. He phrased the sentiment baldly, calling the interest rate "a quantification of one's right to membership in the bloc of the 'free world.' "[153] Because Röpke saw a perfect homology between the qualities of entrepreneurship, the civilizational category of the West, and the functioning of a free market, interest rates were not just an economic but a spiritual index, an index of *Geist.* By offering low-interest loans and state-to-state financing, the World Bank and other international financial institutions were tampering with the central mechanism of world order. This economic definition of the free world—the translation of "the West" into a financial category—underwrote Röpke's public treatment of South Africa.

Röpke's rhetoric climaxed in the wake of the white Rhodesian government's Unilateral Declaration of Independence in November 1965, along with the international criticism and British calls for sanctions that greeted it. Writing to Hunold as he entertained the South African economics minister and his wife in Geneva, Röpke observed, "[In] the revolting case of Rhodesia … the combination of ideology, obsession, hypocrisy, stupidity

and masochism has reached a new height. If a white developing country proves that development aid is unnecessary, then [the country] has to be destroyed."[154] Hunold said he was lobbying Erhard to read Röpke's work on South Africa so that it might change his mind about Rhodesia.[155] Hunold reaffirmed that South Africa would "play an important role for the survival of the free world and the perpetuation of Western culture now and in the future."[156] He likened the happenings in Rhodesia to "the same dangerous point as thirty-five years ago, when the National Socialists achieved their first great electoral success, and after which the fronts in Germany were systematically weakened."[157] The white bloc, in other words, was wavering, signaling the potential beginning of a race war, not of Germans against Jews this time but of blacks against whites. To Hunold, the Zambezi line constituted the new Maginot Line and nonwhites were the new Nazis.

Another of Röpke's correspondents, sociologist Helmut Schoeck, who also spoke in the Zurich lecture series organized by Hunold, saw a direct relationship between the outcome of the Second World War and the decolonizing present. He felt that solidarity of Western intellectuals with nonwhite populations—or "Afrophilia" as he called it—was actually a "tardy and completely misplaced gesture of repentance of those people and groups who are ashamed because they failed to intervene at the right time and with any success in Hitler's persecution of the Jews." Schoeck averred in a letter to Röpke that because those intellectuals were seeking to make up for a past error "thanks to a strange inversion in the subconscious of many of our colleagues, the Africans (coloreds) today have been attributed all of the intelligence and cultural potential that Hitler actually did exterminate in the Jews." This attempt at a conciliatory gesture would end by accelerating the literal extinction of the white population, Schoeck believed. "You cannot bring six million Jews back to life," he cautioned, "by first putting cannibals in their place and then serving approximately the same number of Whites to them as a feast."[158]

The frequent use of the term "cannibal" in Röpke's circle of conservative acquaintances, to describe African political actors, alongside his call for a "Zambezi line" and the persistent refrain of the "suicide of the West," suggests that a racialized worldview was at the heart of Röpke's postwar philosophy of society and economy. The intersections of the categories of cultural and economic geography come to light in his writings

about South Africa and their hearty approval by the New Right. Röpke had broken with the position of Mises, who in his postwar work opposed the use of race as a category of analysis, and Hayek, who wrote his talk "Why I Am not a Conservative" explicitly to distance himself from Röpke's correspondent Russell Kirk.[159] The variety of neoliberalism pioneered by Röpke was distant from the universalist globalism we have been exploring, but as the next section shows, the neoliberal defense of white rule in Southern Africa could and did take other forms.

HUTT AND THE WEIGHTED FRANCHISE SOLUTION

Röpke's forthright statements of biological racism were not the norm among neoliberals.[160] The most notable counterpoint to the apartheid apologist would seem to be William H. Hutt, described by the *New Individualist Review* in 1964 as a "consistent opponent of the policies of apartheid."[161] Hutt's main book, *The Economics of the Color Bar,* was published in 1964 and reissued by the Institute of Economic Affairs in the late 1980s and again by the Ludwig von Mises Institute in 2007. Hutt was an exact contemporary of Röpke and Hayek. Born in 1899, he studied at the LSE with Theodore Gregory and Edwin Cannan and in 1928 joined the faculty at the University of Cape Town (UCT); he worked there with former fellow LSE student Arnold Plant, who was a founding member of the MPS and would return to the LSE as a professor in 1930.[162] One of Hutt's students at UCT was Basil Yamey, who became a prominent neoliberal critic of development aid, coauthoring articles with Peter Bauer.[163] Hutt stayed at UCT until 1966, when he moved to a series of positions in the United States. His longest stint was at the University of Dallas, where he was a distinguished visiting professor from 1972 until his death in 1988. Hutt's primary contribution to economic thought was his notion of "consumer sovereignty," as well as his work on trade unions and his "theory of idle resources."

Hutt was connected to the neoliberal intellectuals through the LSE since the 1930s. Hayek included a piece of his in the 1954 collection *Capitalism and the Historians.* Hutt became an MPS member in 1948 and from 1949 to 1984 presented at eight annual meetings, where he offered his expertise on

topics such as "liberalism and racialism" (1964) and "the image of the entrepreneur in South Africa" (1970). By his own account, he attended not only the second meeting of the MPS but the "great majority of all subsequent conferences."[164] During his time in South Africa, he hosted Hayek and was the key contact for the neoliberal movement in Africa.

In *The Economics of the Color Bar,* his most extensive application of neoliberal thought to the case of South Africa, Hutt self-consciously applied insights from Milton Friedman about U.S. racism and echoed those of Gary Becker from the same time.[165] Latter-day scholars recall the book as a "conscience-raising work" and a "profound and disturbing analysis that exposed the moral horror of apartheid in South Africa."[166] At its core, Hutt argued, racism is a form of rent-seeking analogous to trade unions defending their own privilege against the entry of nonwhite workers.[167] "The chief source of colour discrimination," Hutt suggested, was "to be found in the natural determination to defend economic privilege."[168] In his reading, racism was not of the market but outside of—and in opposition to—the market. In a review, fellow MPS member Enoch Powell praised Hutt's book as a testament that "the market economy … is the most effective enemy of discrimination between individuals, classes and races."[169]

"The market is color-blind" was the conclusion Hutt came to.[170] He celebrated the virtues of labor mobility and attacked the racialized "closed shop" of apartheid. Consistent with his earlier work, Hutt built his model around the sovereignty of both consumer and employee. Yet even as Hutt condemned apartheid, he defined it in a very particular way. For him, equality was synonymous with lifting racial barriers to employment in the workplace rather than any the fulfillment of any political demand. Tactfully avoided by his admirers—but the focus of nearly all of his other writing on the theme—is the fact that the political complement to this workplace liberation was not equality for blacks but their second-class status for the foreseeable future. Hutt's proposals for a weighted franchise ended up being just as radical as Röpke's proposition of the interest rate index of civilization.

The problem of democracy was the central theme of Hutt's writings. What he described as "the most vital point of my whole thesis" in *The Economics of the Color Bar* was not an economic but a political argument:

a warning about the "tyranny of parliamentary majorities" under systems of universal suffrage.[171] The fact that blacks were the majority population in South Africa made the situation exceptionally perilous, in his view. The apparent solution of universal suffrage would only "mean the transfer of power to a new political majority, *with no constitutional limitations to prevent retaliatory abuse.*"[172] Hutt mentioned that he sympathized with those who feared "black supremacy (a mere turning of the tables)."[173] Hutt expanded on these ideas in a piece solicited for the *National Review,* likely by Buckley himself on his state-funded trip to South Africa in the winter of 1962–1963.[174] In a draft of the unpublished piece, titled "Apartheid in South Africa and Its Foreign Critics," Hutt argued that the introduction of one-man-one-vote in South Africa would lead to what he said the Soviets were encouraging: "black imperialism."[175] Hutt expressed the need "to protect the minorities [that is, Whites] from spoliation and revenge" and suggested that the franchise be adjusted on "some principle of weighting."[176] Hutt offered more details on his proposal in a letter to the editor of the *Cape Times* in 1957. He suggested an educational requirement for franchise for European and non-European voters, but, critically, "at some time in the distant future (it would be very optimistic to assume 50 years) when the aggregate number of non-European voters equaled that of the Europeans, the value of each non-European vote would begin gradually and very slowly to diminish."[177] The model was one of degressive proportionality, and it would preserve, if not white minority rule, then a greater value for a white ballot than a nonwhite one.

The person Hutt saw as being closest to his philosophy was Hayek, with whom he shared the draft of the article ahead of hosting him in South Africa in 1963. He called Hayek's 1960 book *The Constitution of Liberty* "the greatest exposition" of the principle of the need to limit democracy.[178] In that book Hayek sketched the potential excesses of democracy, drawing on both history and the present for his argument. He invoked recent Central European history first, saying that having "seen millions voting themselves into complete dependence on a tyrant has made our generation understand that to choose one's government is not necessarily to secure freedom."[179] He followed with a subtle dig against postcolonial governments, saying that "though the concept of national freedom is analogous to that of individual freedom, it is not the same; and the striving for the first has not always

enhanced the second." He observed that decolonization and democratic self-determination could have adverse outcomes: "It has sometimes led people to prefer a despot of their own race to the liberal government of an alien majority."[180]

Hayek lectured on his book *The Constitution of Liberty* during his time in South Africa. Hutt wrote up the visit under the title "The Abuse of Parliamentary Majority in Multi-Racial Society," which offers the only record of Hayek's statements.[181] According to Hutt's account, Hayek was "under no illusions about the threat which a Black-dominated electorate could constitute in the future but we do not always remind ourselves that it is the power of the state which we are really dreading."[182] Hayek argued that "it is the Whites … who have taught the Africans that the machinery of the State may be used to secure sectional benefits—chiefly in the form of privileges for the Whites." "Is it surprising then," he asked, "that African leaders tend, all too easily to think in terms of turning the tables?"[183] Hayek's message to Hutt and others was that a state captured by black voters would cease to be a problem if the state itself was stripped preemptively of its right to grant exemptions from the discipline of the competitive market. As with his idea of neoliberal federation from the 1930s, Hayek's proposal was to downgrade the significance of representative government by reducing its roles to the enforcement of competition and contract.

Hutt carried his proposals for weighted franchise into the publications of the U.S. New Right. In 1966 he argued in the *New Individualist Review* that in South Africa, "the prospect of an African majority, through the ultimate extension of the franchise on the basis of 'one man, one vote' created wholly justifiable fears on the part of the Whites."[184] He suggested that the only solution was to "renounce the principle of universal suffrage … and accept some form of weighted franchise."[185] Like Röpke, Hutt was especially enraged and mobilized by what he saw as the unjust treatment of the white-ruled country of Rhodesia after its Unilateral Declaration of Independence and departure from the British Commonwealth in 1965. Beginning in 1964 Hutt began sending letters to Prime Minister Ian Smith of Rhodesia with his advice about how to ensure that "the present regime, with all its admitted faults, shall not be replaced by an era of black domination."[186] He suggested constitutional protections of property and,

again, "weighted franchise arrangements."[187] In an article on "the Rhodesian calumny," Hutt defended the property restrictions designed to protect white-minority rule as a bulwark against " 'one man, one vote' tyranny," calling Rhodesia "the most promising deliberate attempt the world has ever seen at creating a wholly democratic, multi-racial society."[188] As paradoxical as it might sound, Hutt argued that it was precisely by denying universal suffrage that true democracy could be realized.

Through the 1970s and 1980s Hutt kept up a drumbeat of protest against the supposed injustice of the international mobilization against Rhodesia and South Africa. He wrote letters to Governor Ronald Reagan and President Jimmy Carter praising Rhodesia as "the only genuine anti-racist democracy in Africa."[189] After Portugal withdrew from their colonies of Angola and Mozambique, the United States hardened its position against Southern Africa, with Carter reintroducing a ban on the import of Rhodesian chrome in 1977 amid new talk of human rights and demands for moves to majority rule.[190] Sensitive to the continuing shift away from political models based on race, Hutt proposed to political leaders in South Africa an innovation of his racially weighted franchise model. He suggested instead a weighting of the franchise according to income. In a letter to South African finance minister Owen Horwood in 1978, he suggested that "[if you] weight each person's vote by the amount of taxes he is called upon to pay," South Africa could "rightly insist that Blacks, Coloureds, Indians and Whites would have the most complete equality through the dissolution of the colour bars."[191] Hutt claimed that this measure would appease enough American critics because it would amount to "absolute equality for all races."[192] The vote based on income would amount to total political nondiscrimination and yield to the greater wisdom of the market.

Hutt argued that his proposal would achieve the realization of a notion he had coined in the 1930s: "consumer's sovereignty." Hutt argued that if "every dollar was a ballot," in the phrase favored by Mises, income-weighted franchise would extend the analogy by translating one's wealth into the relative power one had in electing a representative government. "The effect of so revolutionary a reform," he argued, would be "to emphasize that citizens actually purchase the services of government and cause them to be regarded as public servants rather than as rulers."[193] Hutt's proposal was not as novel as it sounded. Beyond its obvious echoes of

nineteenth-century property bars to the franchise, it is notable that such a model of weighted representation was already used at the World Bank and the IMF, both of which determined votes based on national participation in global trade. Hutt's economistic adaptation of democracy actually scaled the Bretton Woods institutions down to the level of a citizenry. He opposed apartheid in the workplace, but he advocated a new economic hierarchy of electoral privilege to replace it.

Hutt's opposition to universal suffrage in Southern Africa was shared by some others in the neoliberal camp.[194] In 1970 Shenfield invoked "the hideous dangers of totalitarian democracy" as he argued that "the limitation of the franchise in South African circumstances is not only not wrong; it is positively desirable in the interests of all races." "In South Africa," he wrote, " 'one man one vote' would mean disaster for all.[195] Similar sentiments came from journalist John A. Davenport, formerly of *Fortune* and *Barron's,* and Milton Friedman. Both men had been at the founding meeting of the MPS and were active members in the neoliberal intellectual movement.[196] Like Hutt, Davenport spoke at eight MPS meetings, during the 1960s and 1970s, and Friedman had achieved international fame through his popular writing as well as the Nobel Memorial Prize he won in 1976. Hutt claimed that neither man had been engaged with Southern Africa until visiting the region in the 1970s.[197] In that decade, both became outspoken critics of universal suffrage for the region, with a focus on Rhodesia in particular.

Davenport's advocacy for white rule in Southern Africa exceeded even that of Röpke. Already in 1972 the South African Information Service had commended Davenport on his public support for the regime, including his letter to the *New York Times* defending South African rule in Namibia and demanding that the country not be "gobble[d] up by the UN" and "subjected to the indignities of so-called 'one man, one vote' democracy."[198] After the Carter administration turned definitively against the Smith regime in Rhodesia in 1977, Davenport worked with the Rhodesian Information Service to gather signatures of support from American businessman for the Smith government.[199] Davenport took two trips to Rhodesia and, as the co-chairman of the American-Rhodesian Association (ARA), hosted Smith when he visited the States in October 1978 at the invitation of segregationist senator Jesse Helms and a group of other conservative

senators, including later presidential candidate Bob Dole.[200] In its mission statement, the ARA called sanctions "an aid and encouragement to barbarism" and paid homage to the "supreme gallantry and value of Rhodesia (Zimbabwe) as an outer bastion of the Free World in Africa."[201] Into the 1980s and the rise of the divestment movement on university campuses, Davenport continued to condemn the "immoral war of aggression on South Africa" driven by the "mania of majority rule" and a devotion to "the follies of doctrinaire democracy."[202] In 1985 he complained directly to the White House about sanctions and received written support from the assistant to the president, Pat Buchanan.[203] Davenport was not passively sympathetic to the opposition to majority rule in Southern Africa but instead was one of its foremost activists in the late 1970s and 1980s. Like Hutt's, his argument thrust in two directions: against sanctions and against universal suffrage. On these two points he was joined by Friedman, the most high-profile of postwar neoliberal intellectuals, and on the opposition to sanctions, by Hayek himself.

FRIEDMAN AND HAYEK'S MILITANT GLOBALISM AGAINST SANCTIONS

Milton Friedman condemned sanctions against Rhodesia in two editorials for *Newsweek,* one of which appeared first in the London *Sunday Times.*[204] In the 1976 column, published after he traveled to the region, he made the initially perplexing argument that " 'Majority rule' for Rhodesia today is a euphemism for a black-minority government, which would almost surely mean both the eviction or exodus of most of the whites and also a drastically lower level of living and opportunity for the masses of black Rhodesians."[205] In defining universal suffrage as "minority rule," Friedman expressed his skepticism about the practice of democracy in the United States itself. As he argued at the University of Cape Town in South Africa in 1976, the practice of one-man-one-vote was in fact "a system of highly-weighted voting in which special interests have far greater roles to play than does the general interest."[206] Drawing implicitly on the work of theorists like Mancur Olson, Friedman argued that the "political market" favored those with the incentive and the resources to organize and militated against

the interest of the public and the less powerful.[207] The economic market, by contrast, was "a system of effective, proportional representation."[208] He proposed novel solutions for the South African context. People complained that whites received free education while black students had to pay. His solution: make them both pay. "I am not in favor of egalitarianism" he reminded his audience, "in the sense of equal results."[209] Inequality was the ineradicable condition of a functioning market order.

Although Friedman followed Röpke by quoting James Burnham in saying that the isolation of Rhodesia was a sign of "the suicide of the West," his conclusions were based not on race or level of civilization but on a general critique of the practice of electoral democracy.[210] His opposition to sanctions was also based on an abstract principle: that markets succeed through "the subtlety with which they connect producers and consumers and the anonymity in which they clothe the participants." Because the ideal market does not discriminate by race, religion, or nationality, to interfere in processes of exchange to punish this or that political power through an international authority—as in the case of Rhodesia—would be to weaken "the system of free markets that is our greatest source of strength."[211] Dominium had to exist beyond the whims of diplomacy.

Hayek's public statement on South Africa echoed Friedman's. Amid widespread criticism of the visits he and Friedman paid to Pinochet's Chile in the 1970s, Hayek complained in 1977 of the "international character assassination" aimed not just at the South American nation but at South Africa too, a country he would visit for the second time the following year.[212] While condemning apartheid in strong terms, he expressed fear that the "arbitrary measures" of the UN in singling out certain nations for punishment had become one of the greatest threats to the liberal world economy. "The U.N. can only protect its influence," he wrote, "when boycotts or similar matters against individual countries are instituted according to set and posted rules, not when it lets itself be seduced through vote-catching in individual cases." Hayek warned of drastic repercussions with globally corrosive effects: "l do not know whether the representatives of the Western Great Powers that have agreed to the arms embargo against South Africa realize the danger they are courting with this decision. They have begun to destroy the international economic order."[213] The use of sanctions as an economic weapon transgressed the borders separating the

world of property and the world of states. Moral demands, even those legitimized through international organizations, had no mandate to disrupt the economic constitution of the world.

Southern Africa offers a litmus test for the varying neoliberal perspectives on the questions of race, world order, and empire in the age of decolonization. Not only was there no single position in the neoliberal camp, but the major players changed their positions over time. Röpke's swerve was perhaps the most extreme. Writing from Istanbul in the mid-1930s as a scholar in exile out of principled resistance to a racist regime, he had condemned imperialism in stark terms. The history of overseas European expansion, he said, was "a history of conquest, barbarism and brutality."[214] He argued for an anti-imperialism that was not anticapitalist but liberal—one that would actively safeguard the division, as he put it, between "imperium and dominium—the economic sphere and sphere of states."[215] Three decades later, when decolonization had become a global reality, his refrain changed. Colonialism, he now claimed, had borne the "cunning of history" by bringing Western civilization to the non-Western world. Whereas he wrote in 1934 that European imperialism corresponded "to all of the irrational powers in the inner life of nations," by 1965 he was claiming that it was European patrimony that was threatened by "the monstrous forces of chaos and destruction" that opposed it.[216] Most important was his newfound conviction that "Europeanization" had turned the whole earth into a "single colony of the West."[217] Given this reality, stability and relative prosperity would come to the Global South only when they dropped their disavowal of Westernization and embraced it as an ethos, life way, and mindset. Whether genetic difference rendered this impossible was a question he left open. What was clear was that Röpke's narrative of history was no longer one of balancing public authority and private property but had instead become one of prescribing the final victory of the Western *Geist.* Empire was not an era that had ended but a task to be completed.

For Hutt, Friedman, and Hayek, the focus was not civilizations but political systems that would encourage the reproduction of a working market order. Their chief concern was that misguided morality in the demands for universal suffrage or the wielding of economic weapons such as embargoes and sanctions might upend both predictability and the facelessness on which the coordination of countless laborers, sellers, and

consumers depended. Within the recognized constraints of the unwritten and even unconscious codes of conduct built into tradition, they kept a basic faith in the utility of multilevel constitutional design as a means of safeguarding property and competition worldwide. As Chapters 6 and 7 will show, the main stream of neoliberals saw a world of rules, not a world of races. And the place where this world started was in Europe.

6

A World of Constitutions

> The historical import of the European Economic Community treaty consists in its relating the internationality of law and political institutions to the internationality of economic relations. In this sense, the EEC treaty embodies an economic constitution.
>
> —ERNST-JOACHIM MESTMÄCKER, 1973

Europe is one of the riddles of the neoliberal century. Some scholars claim that the European Economic Community (EEC) was a neoliberal project from the start—that when West Germany, France, Italy, and the Benelux countries agreed to the Treaty of Rome in March 1957, they were actually signing Hayek's blueprints for federation from the 1930s.[1] Others counter with the point that Hayek himself was opposed to European federation after 1945.[2] If the EEC was a neoliberal "triumph," what to make of an observer's remark in 1962 that "economists of the so-called neoliberal persuasion have long criticized the efforts to establish a European Economic Community"?[3] Did European integration happen because of or in spite of a neoliberal vision for the continent?

Resolving the paradox requires zooming both in and out. Looking closely at the moment of Europe's institutional creation, we find that the Rome treaty split the neoliberal group into two factions. On one side was the older generation of Geneva School neoliberals, who have been labeled the universalists.[4] On the other side was another, younger cohort of neoliberals that we can call the constitutionalists. By drawing the lens back, we see the importance of empire and the world in the story. The universalists opposed to the EEC, like Wilhelm Röpke, Gottfried Haberler, and Michael Heilperin, reflected a fidelity to a prior commitment to the larger scale of global integration as defended by the League of Nations and

later the General Agreement on Tariffs and Trade (GATT). Especially galling was the fact that the Treaty of Rome actually created, not "Europe," but a version of "Eurafrica." Because preferential access to the European market was extended to the French, Dutch, and Belgian empires as "associated states," 90 percent of the territorial area of the Common Market was beyond the borders of Europe itself.[5] To the universalists, Eurafrica looked like another means of disintegrating the world economy in the name of integration. The EEC created a clot the size of Western Europe plus larger parts of Africa in the network of free circulation of goods. It kept empire and protectionism alive in the supposed era of the liberal world economy.

Universalists made concrete efforts to shore up the GATT against the EEC. In 1958 Haberler coauthored a report for GATT criticizing the emerging agricultural protectionism of the EEC and agricultural subsidies in the United States. The so-called Haberler Report became a milestone in the history of GATT, and later the World Trade Organization (WTO), and won him unexpected partners in the Global South. Yet despite the universalists' zeal, their globalism contained a fatal flaw: it had no mechanism of enforcement. The goal of diminishing economic nationalism was evident, but the leap to supranational governance was less so. By pinning their hopes on the GATT, the first-generation global neoliberals put their faith in an organization without teeth.

While one faction of neoliberal globalists rejected the value of European integration, another saw it as a bridge over the gap between institutional design and implementation. In the 1960s key neoliberals including Hans von der Groeben, Ernst-Joachim Mestmäcker, and Erich Hoppmann conceived of the Treaty of Rome as an "economic constitution" and the basis for future models of multilevel governance.[6] Law was central to pro-Europe neoliberals, many of whom were trained as lawyers rather than economists. Even though Hayek's discussion of federation almost evaporated in his postwar work, the constitutionalists adapted his 1960s writings on constitutional design to reimagine supranational order. In an irony, the defining postwar project of Geneva School neoliberalism germinated inside the very project of European integration that the older neoliberals condemned. In shifting the scale of the economic constitution from the nation to the supranational federation and later the world, the

neoliberal constitutionalists seeded the field of international economic law that would emerge in the 1970s and helped theorize an integrated Europe as a model for global economic governance.

THE UNIVERSALISTS: NEOLIBERALS AGAINST EUROPE

Immediately after 1945, neoliberals returned to their prewar discussions about international federation. At the first meeting of the Mont Pèlerin Society (MPS), in 1947, an entire day was devoted to "the problem and chances of European Federation." Robbins set the tone with his concern that European "economic associations might prove disruptive to the unity of the Western world."[7] Almost all of the federal ideas of the 1930s, one will recall, were based on the anchor of the Anglo-American relationship as the axial point of the Western world. Neoliberal intellectuals voiced fears that European organization might endanger the bonds of the Atlantic Community.[8] The basic problem was the patent unwillingness of nations to relinquish their own sovereignty. Writing in 1949, Haberler argued that "there will be no European union now or in our time" because it was "practically impossible that countries like Great Britain, France, Italy and Belgium should agree on a common economic policy."[9] He spoke hypothetically of the possibility of economic unification in a situation of "comparatively little state interference in economic matters as it existed before 1914," but saw no practical means of realization. The United Nations system was emphatically *inter*national rather than supranational, and the jealously guarded principle of national sovereignty was at its heart.

Against the continental dream of European integration the universalists maintained fidelity to the global vision of the League of Nations, which had envisioned an Open Door policy for the world. Even though by the end of the war the consensus at the League had shifted toward policies of full employment and Keynesian expansion, the League retained the promise of salutary liberal internationalism in the minds of Geneva School neoliberals.[10] Fatefully, however, the precondition for the League's success was always the goodwill and voluntary cooperation of the states involved. With no means to punish infractions by member states, and no means of compelling nonmembers to join, the liberal experiment had failed in the

1930s and its seemed doomed again after 1945. Many neoliberals who had been socialized in the 1920s and 1930s shared Haberler's sense of disillusionment with the large-scale solution that would involve the willing surrender of sovereignty by nations that had no desire to surrender it. Especially in light of the "paradoxical phenomenon" whereby the supposed beacon of free enterprise, the United States, was itself calling for nations to make multiyear plans to consistently disperse Marshall Plan funds, Haberler saw no route that could lead the postwar European states away from planning.[11] Although the beginnings of market liberalization in West Germany, founded in 1949, offered a praiseworthy template, there was no institutional fix whereby the other nations would be forced to follow the German lead. As we saw in Chapter 4, the best option for a neoliberal fix looked like the transnational commercial law of the investment code and the bilateral investment treaty. Concentrating on private international law would protect what I have called the xenos rights of investors without a need for multilateral inter-state arrangements of public international law.

The most vocal Euroskeptic of the 1950s was the ubiquitous Wilhelm Röpke, who enjoyed both the ear of West German economics minister (and MPS member) Ludwig Erhard and ready access to the press as a public intellectual.[12] Röpke feared that the EEC would be an extension of the "bloc solution" of the European Coal and Steel Community created in 1952, protecting the continent's products behind a shared tariff wall, sheltered from foreign competition and managed collectively by a supranational bureaucracy. He felt that the "bloc" version of Europe had no claim to be labeled "integration." It reproduced the precise symptoms of protectionism and state control that had characterized the 1930s. What looked like integration for Europe would perpetuate disintegration at the scale of the world. Such an arrangement would "turn national autarchy to a continental one and repeat the old problems at a higher geographical scale."[13]

Expressing a similar sentiment, Michael Heilperin conjured up the familiar bugbear "insulation."[14] Bloc Europe was a way to pursue the fundamentally illegitimate policy goal of being sheltered from the pressures of global competition. Furthermore, it made the fatal error described by Hayek in the 1930s: it made economic authorities a target as the source of perceived injustices. Much preferable, Erhard argued, was "a system of order that exerted what one might call an anonymous coercion on the

behavior of nation-states."[15] As with the model of neoliberal federation proposed by Hayek and Robbins, the sphere of government intervention, on Erhard's view, must be self-limiting due to locked-in policies of free trade and free migration. The EEC's proposed leadership by a Commission would offer itself as a target for both the grievances and special pleading of affected parties.

Universalists defined integration not as a future vision but as a return to a former order. Wrote Röpke, "The truth [is] fundamental as it is simple and incontrovertible, that the task in front of us, is in fact, a *re-integration,* i.e., the recreation of a happier condition of European economic relations that already existed in the past and has been progressively destroyed in the storms of the world crisis since 1931."[16] The world economy, which had been unitary until 1914, needed to be reconstituted. Any talk of integration could only be talk of a means of return to that lost golden age. The universalist understanding was consistent with the etymology of the word itself. The meaning of the Latin *integratio* is not the creation of a new entity but the restoration of something lost.[17] Heilperin made a point similar to Röpke's in 1949. He disputed the fact that "integration" was an "American doctrine" imported into Europe with the Marshall Plan. In fact, it was much more at home in Europe than in the States, with its "traditional attachment to the tariff."[18] When American policy makers urge "Western Europe to integrate," they are "bringing back to the Europeans something which is not a theoretical concept alone but something which should spell to them a memory of a very prosperous past."[19]

Most early neoliberals were born around the turn of the twentieth century and were in late childhood and early adolescence during the period before the Great War. They often expressed their affective attachment to the era in elegiac terms. Röpke began one of his books by identifying himself as one of "the generation which in its youth saw the sunset glow of that long and glorious sunny day of the western world, which lasted from the Congress of Vienna until August 1914, and of which those who have only lived in the present arctic night of history can have no adequate conception."[20] World economic integration was simultaneously an ideological goal and a childhood idyll.

Neoliberals had been central in bringing the concept of *integratio* into economic discourse in the interwar period. Fritz Machlup has shown that

Röpke was one of the first economists to write systematically about integration in the 1930s. After Eli Heckscher and Bertil Ohlin, Swedish economists of the Stockholm School, introduced the word "disintegration" into economic discussions in the 1920s and early 1930s, Röpke began work on his 1942 book about what was lost and what needed to be restored.[21] He first used the term "disintegration" in 1931 to describe the effect of the Great Depression's "dissolution of the stable and organic structure of international economic relations that had emerged over a century under the name of the world economy."[22] He and Mises both used the term in a 1938 publication of the Geneva Graduate Institute for International Studies devoted to "the world crisis."[23]

The Geneva School discourse of integration has been explored in preceding chapters. It perceived the world economy as an interdependent totality reliant on a series of institutional arrangements that safeguarded the division in capitalism's doubled world of imperium and dominium and allowed for both competition and the international division of labor. This vision was far different from the dream of an autonomous or self-governing market that has been falsely ascribed to neoliberals. Instead it assumed a space of trade and payments encased by universal norms and upheld by inter-state cooperation. The architectural elegance and internal consistency of the neoliberal global vision made it hard to think about partial solutions or halfway houses on the road to reintegration at the world level. Yet as Heilperin acknowledged, "universalist solutions" seemed to have failed by the 1950s.[24] He gave up on pushing the international investment code he had authored and accepted the viability of bilateral investment treaties, which had become more effective. The scandal of the International Trade Organization, which he and other neoliberals saw as tainted by the politicized special pleading of the developing world, left only what Röpke called the "modest but very useful" GATT, a relatively weak organization riddled with exceptions (including agriculture) and opt-out clauses.[25]

Euroskeptical neoliberals rallied around the GATT, despite its apparent weakness, as the best weapon at hand for attacking the new EEC. In its essence, GATT was the institutional heir of the liberal world economy model pioneered in Geneva, which was itself based on the nineteenth-century principle of the "most favored nation" treaty that extended reciprocal relaxation of trade barriers to all signees. GATT's primary

architect, James Meade, had been active at the League, authoring its *World Economic Survey* in the late 1930s.[26] Röpke advocated for the GATT against French-dominated European institutions in 1958, saying that the "Coal Steel common market method of integrating Europe … requires a supra-national political order." "Why not leave it to GATT?" he asked, "Or if GATT is insufficiently effective, why not strengthen it?"[27] Erhard spoke in the name of "the economy" as such when he promoted the superiority of the GATT, saying that "errors and sins against the economy are not made good by proclaiming them to be European."[28]

To Röpke, the only form of integration that might be worthy of the name followed what he called the "kernel solution." Kernel Europe would not protect its goods from the outside world. Rather, it would create a free-trade zone and, eventually, a common "payment community" or currency union that would gradually expand over time, absorbing other nations into an ever-growing territory of specialization and free-market competition. This form of integration "may begin in Europe" but it "prepares for a transition into a universal world-economic integration."[29] Against the EEC, Röpke and Erhard advocated for a European Free Trade Area (EFTA), to include Great Britain, Switzerland, Austria, Portugal, and the Scandinavian countries.[30] The failure of the EFTA model to win out over the EEC concept meant, Röpke wrote in the *National Review,* that "economic liberation … had to be purchased by digging a moat against the outside."[31]

Hans von der Groeben exaggerated only slightly when he wrote in hindsight that "the 'universalists' saw every regional structure as a deviation from the path of righteousness."[32] They painted the struggle over European integration in Manichaean terms, he said, with those calling for the EEC cast in the role of villains. Röpke relied on his characteristically incendiary rhetoric, urging that "the market economy" not be "sacrificed on the altar of 'Europe' " and cautioning that "what was meant to be mortar may prove to be dynamite."[33] Heilperin invoked the foundational modern battles of political economy from the nineteenth century. "Buried for many decades in intellectual and political moth-balls," he wrote, "the Free Trade versus Protection controversy has, incredibly, become once again a front-page item."[34] Given such an alternative, universalists naturally sided with free trade, which, said Heilperin in the terms of classical liberal dogma, "conforms to the nature of things and to the distribution of resources and

men on the globe."[35] West Germany represented the pole of free trade, under Economics Minister Erhard, and the main antagonist was France. In an article in *Fortune,* Heilperin, using a politically loaded term, denounced the French choice of "segregation," which harmed "the mass of French consumers, who are the big losers in France's essentially rich, shamefully hobbled economy."[36]

The first member of the hard core of neoliberals to deviate from opposition to European economic integration was not Röpke, who remained a staunch opponent, but an employee of Erhard's ministry, Alfred Müller-Armack. Born in 1901, Müller-Armack was a contemporary of the first generation of neoliberals. A member of the Nazi party since 1933, he held a chair in economics at the University of Münster from 1940, where he directed research on building, settlement, and textile production.[37] Some of his wartime studies tackled the Third Reich's iteration of European integration in seeking economic solutions for the Nazi empire in Eastern Europe.[38] Müller-Armack met Erhard in the early 1940s, as the future economics minister and chancellor was also researching the textile industry under Hitler's government.[39] The duo remained close after the war. Along with the Freiburg School of Walter Eucken and Franz Böhm, they helped define the foundational German neoliberal position. In 1950 Müller-Armack became a professor at the University of Cologne, and took a position as the leader of the policy department in Erhard's Economics Ministry in 1952.

Unlike Röpke and Haberler, whose academic perches protected their purism, Müller-Armack's active role in politics and administration made him more aware of the need to find practicable solutions and common ground with ideological opponents.[40] One such accomplishment was his enduring achievement in coining the term "social market economy." The term combined free-market principles with attention to welfare and labor concerns in a way that would rankle other neoliberals over time, but Müller-Armack had chosen the term precisely for its mediating "irenic" function.[41] Writing about the prospects of European integration in 1957, Müller-Armack took a similar pragmatic position. While genuflecting to the era before 1914 as a "paragon" of world economic integration, he pointed out that conditions had changed and institutions needed to adapt with them. The GATT offered one option, but its "organizational sluggishness" proved that

"complicated and organizationally demanding agreements only offer success in limited circles."[42] Even while oriented at "worldwide organizations," he argued, integration would only happen "on the initiative of a tight European circle."[43]

By 1957 Müller-Armack could speak from experience. He had helped suture together opposing viewpoints within the German cabinet when he held a meeting of the principals at his summer house in May 1955.[44] At that meeting Erhard acquiesced to the project of European integration being spearheaded by Chancellor Konrad Adenauer and his Foreign Ministry. Müller-Armack and Erhard also managed to push the vision away from the Coal and Steel Community model and toward one that could protect "undistorted competition" and prioritize the "four freedoms" of goods, capital, services, and labor.[45] The concept of the competitive common market had been crafted ahead of time in the Economics Ministry, in part by the lawyer von der Groeben, who had led the Schuman Plan Department in the Economics Ministry since 1952.[46] After a meeting of delegates of the six signatories in Messina in June 1955, the Belgian foreign minister, Paul-Henri Spaak, tasked von der Groeben and Pierre Uri to draft a treaty—the so-called Spaak Report—that became the basis of negotiation beginning in the spring of 1956.[47] Von der Groeben was made the chair of the committee on the Common Market in the negotiations and Müller-Armack was made a member.[48]

After a year of negotiations in Paris and Brussels, the treaty was signed in Rome in March 1957 as children lined the roads waving miniature flags of the six signatory nations. Posters on the kiosks along the Roman streets showed six farm girls dancing in circles in blouses decorated with the national colors, foreshadowing the centrality of agriculture in the Europe that would follow.[49] The treaty itself was a product of months of negotiation and compromise. Looked at from one angle, it appeared to be a neoliberal victory. The four freedoms were enshrined in the text alongside a commitment to undistorted competition.[50] From another angle, the success was more mixed. There were no mechanisms to enforce the laws of competition regulating monopolies and cartels, and the provisions themselves bore the marks of significant compromise with the French negotiators.[51] When the unresolved issues of agriculture were addressed through the Common Agricultural Policy (CAP) passed in 1962, it included

the markedly non-neoliberal measures of "politically determined prices as well as variable import levies and export subsidies for major products."[52] Never one to soften a punch, Röpke referred to the CAP as "the most grotesque system of price-fixing, subsidies, and artificial purchasing arrangements that had ever been created in a modern industrial economy."[53] The effect of the CAP was to "exacerbate the problems identified by Haberler" in 1958.[54] The Treaty of Rome, and the EEC that emerged from it, was a hybrid artifact of compromise and far from the clear-cut neoliberal "triumph … over remnants of French interventionism" that some scholars claim.[55]

One of the greatest deviations from neoliberal principles was on the question of empire. The fourth part of the Treaty of Rome was devoted to the euphemistically titled "non-European countries and territories which have special relations with Belgium, France, Italy and the Netherlands" (Article 131). Von der Groeben and Uri had not included the question of the colonies in the Spaak Report, but the French made their inclusion a condition of signing the Treaty.[56] As a result, the Common Market, as a recent study put it, constituted "a territorial sphere stretching from the Baltic to the Congo."[57] Specifically, the treaty secured tariff-free access to the market for the products of the eighteen African colonies of the French, Belgian, Dutch, and Italian empires for an initial period of five years and also granted the right to infant industry protection (Article 133). Because the Common Market would have a common external tariff against third-party producers, this meant that the tropical products of the colonies would enjoy a significant advantage against competitors outside of the European empires, especially producers in Latin America, who traditionally enjoyed robust trade with Western Europe and especially West Germany.

Empire was no footnote to Müller-Armack. He devoted an entire chapter of his memoirs to the matter of the associated territories. He recounted that the French and Belgian negotiators sprang association as a "surprise" condition for ratification on the final day of negotiations, which pushed the negotiation of tariffs for individual products late into the night. Müller-Armack zeroed in on the question of bananas at the "turbulent night session … offering resistance to the very last" to the proposal that bananas from outside of the Common Market be burdened with a 20 percent tariff—itself an artifact of the Italian protection of their colonial Somali banana crop.

Adenauer reportedly sided with Müller-Armack, delaying the completion of the negotiations in protest over the issue.[58] Even after the negotiations technically were concluded, Müller-Armack won the chance to draft a last protocol with Robert Marjolin to be included as an annex in the final version. Completed between the final negotiations in Paris and the treaty's signing in Rome, the so-called Banana Protocol created a crack in the tariff wall of the Common Market by securing renewable access for West Germany to duty-free bananas from beyond the protected African producers of the European empires and the French overseas territories in the Caribbean.[59]

Bananas became an ideological battle for Müller-Armack. "The whole thing might seem funny from the outside," he wrote, "but we wanted to emphasize our conviction in an economic policy that did not enact serious discrimination against all other banana-exporting developing countries."[60] Neoliberal fears of bloc thinking seemed most realized in the colonies. Röpke observed in 1958 that it was absurd that, "to the greater glory of the Common Market," coffee and bananas entering from Brazil, Guatemala, and Costa Rica should be made more expensive by protective tariffs. "One cannot blame such countries treated with such discrimination," he wrote, "for seeking to protect themselves by appeals to GATT."[61] Müller-Armack himself argued that excluded nations had every right to appeal to the GATT against the conditions of the Rome treaty.[62] The universalists fastened onto agriculture and Eurafrica to attack European integration at the GATT. Far from trivial, the question of bananas, coffee, and cocoa opened decades of struggle for Geneva School neoliberals against what they saw as the persistence of empire in the liberal world trading system. The famous "banana wars" of the early twenty-first century began with a fight over the Treaty of Rome.[63] The issue was the same: Had empire been displaced by the liberal world economy, or should colonial history still shape global economic relations?

GATT VERSUS EURAFRICA: THE 1958 HABERLER REPORT

The extra-European context for the creation of Europe is often overlooked.[64] By von der Groeben's own account, France's embroilment in

anticolonial conflict in Algeria predisposed it to be more acquiescent to West German pressure to diverge from more state-centered approaches of *planification*.[65] Adenauer's staunch support for the military intervention of the old imperial powers of France and Britain during the Suez Crisis of 1956 also won him favor with the French.[66] Müller-Armack, who saw the Suez intervention as "political insanity," nonetheless acknowledged that the moment of French-German rapprochement in a shared moment of European defensiveness against U.S. geopolitical power helped move negotiations through a critical phase.[67] A French observer quipped later that a statue should be raised to Egyptian leader Gamal Abdel Nasser as the "federator of Europe" for nationalizing the canal and creating the conditions for the largest Western European powers to bond.[68]

For Röpke, the Suez Crisis offered a chance to reflect on the difference between the old world and the new. The Suez Canal had not been "an unresolved problem of the world economy" in the nineteenth century, he observed. Its stability was ensured by a treaty in international law underwritten by the "convictions and principles of the civilized world … protected by the supremacy of Great Britain." International organizations were only imperfect substitutes after the undisputed "trustee" position of imperial powers had been undermined. "It would correspond to the new principles of international order," he wrote wryly, "if an International Suez Canal Authority were to be constituted. But how is this supposed to happen? Who will oppose the volcanic force of freshly erupting nationalism?"[69] The United States was an unreliable partner. Röpke criticized it for having "fallen into the arms of a completely irresponsible oriental despot" during the Suez Crisis.[70] Although, as noted in the conclusion of Chapter 5, Röpke had combined his liberalism with anti-imperialism in the 1930s, he betrayed nostalgia for empire in an era of multilateralism and diffused authority.[71]

Röpke's plaintive tone suggests the impotence felt by universalists in the late 1950s. They were flanked by what they saw as protectionist European integration on one side of the Atlantic, an untrustworthy guardian of the world economic order on the other, and a UN steadily filling with Southern nations that were breaking the rules of the nineteenth century with their demands for sovereignty over national resources and global redistribution. As we saw in Chapter 4, neoliberals interpreted the Suez Crisis and other

nationalizations as signs of a loss of the all-important division between the imperium of government and the dominium of private ownership. It was not clear to neoliberals which institutional replacements for empire were worthy of their loyalty. In the case of Europe, the most concerted stand was taken by Gottfried Haberler through the organization of the GATT.

As already suggested in the case of Müller-Armack, the association of the African states with the EEC was a special target of neoliberal critique. It collectivized the features and obligations of French colonialism by extending preferential access for agricultural imports and by co-financing a European Development Fund. To Erhard, the commitment to Eurafrica simply "Europeanized the costs of empire" and threatened to recreate protectionist blocs that were of little use to West Germany, which purchased only a fraction of its imports from colonial West and Central Africa.[72] After being forced to accept the reconstruction of agricultural tariff walls around the borders of the six nations signatory to the treaty, neoliberals now had to swallow the extension of those walls southward to the other side of the Mediterranean and far into Africa.

Although little known today, the concept of Eurafrica circulated widely in the years before formal decolonization swept across Africa in the 1960s. It had different meanings for different populations. In France, visions of *Eurafrique* were about retaining and deepening, but also perhaps transforming, empire. Senegalese deputy Léopold Senghor supported *Eurafrique,* along with other delegates from deputies in the Indépendents d'Outre Mer bloc in the National Assembly.[73] For them it seemed a way to retain a means for voicing demands as entitlements from France "vertically" even as they created connections to other Africans "horizontally."[74] Senghor also felt it could be a route to extending social democracy to Africa in a new spirit of "cultural reciprocity."[75] During the EEC negotiations, Ivory Coast leader Félix Houphouët-Boigny came to Brussels to appeal to the national delegates to approve association for the African colonies. In Müller-Armack's recollection, it was largely the power of his persuasive defense that helped secure approval for financial aid to the French colonies as part of the Treaty of Rome.[76]

French prime minister Guy Mollet's perspective on *Eurafrique,* by contrast, was paternalistic. In 1957 he said that "all of Europe will be called upon to help in the development of Africa."[77] Mollet's formulation recalled

that of the father of the Pan-European Movement, Richard Coudenhove-Kalergi, who had coined the term "Eurafrique" in 1929, proposing that the common project of creating arable land and curing disease in Africa would bring European powers together.[78] This angle on *Eurafrique* more clearly echoed the sentiment of the Berlin Conference of 1884–1885 when the European colonies expressed their unity in the common project of suppressing slavery and bringing free trade to Africa, in what Carl Schmitt calls the "last common land-appropriation of non-European soil by the European powers."[79]

Understood in this sense, Eurafrica actually exaggerated the gap between the two continents even as it combined them in a single term. The process of the project's realization suggested the continuing asymmetry in the balance of power. Despite Senghor's demand that "*Eurafrique* cannot be created without the consent of Africans," the presence of Houphoët-Boigny was the exception that proved the rule. The Treaty of Rome negotiations and debate in the French National Assembly about the treaty in 1957 happened otherwise without the presence or participation of African delegates.[80]

For the Germans, *Eurafrika* was bound up with the geopolitical thinking of the Nazi era and its ideas of territorial zero-sum economic space.[81] In the Federal Republic, *Eurafrika* was usually seen as a means for the French to sustain their colonial empire. As Ferdinand Fried, a conservative columnist and former Nazi mouthpiece, put it in 1960, "The vision of *Eurafrika* rises on the horizon—and the French have elegantly kept their old colonial legacy alive in a new era."[82] In the popular imagination, *Eurafrika* was pushed on Germany as part of the European package, a compromise accepted for the sake of integration and under pressure from the United States. Along with the Dutch, who shared their opinions, the German liberal leaders, above all Erhard, continued to hope that Eurafrica would act as a transition to an open world economy. To this end, they pushed for clauses limiting the length of aid and locking in dates for the transition to market prices for African exports—dates that ended up being pushed ever farther into the future as the years passed.

For its part, the Eisenhower administration accepted Eurafrica as a convenient means to continue to promise decolonization without taking concrete steps toward it.[83] Despite its professed liberalism, the United States

placed highest priority on an agreement between the French and West Germans, regardless of the shape it took, and was even willing to tolerate agricultural protectionism if necessary. The protection of agriculture in Europe remained into the 1990s "the most important departure from the largely market-oriented economic and trade policies" of Europe, putting "farmers on welfare" as one monograph has it.[84] Ironically, the first significant policy victory of the ostensibly free-trade and anticolonial postwar U.S. order was a protected economic space in the exact shape of the European empires.

The example of agriculture shows that the right of the hegemon is the right to break the rules. Just as the U.S. subsidized its agriculture while preaching free trade, the CAP created a protectionist Europe even as it began pressuring the EEC's Associated States to transition their exports to world market prices.[85] Djeme Momar Gueye, the Senegalese ambassador to Brussels, pointed out the hypocrisy in the EEC pressuring the "Associated States to liberalize their production in the name of economic liberalism even as they protect their own agricultural production in broad daylight."[86] Free-trade talk worked to cement the customs union among the six signatory nations, but in the case of agriculture, liberal principles stopped at the borders of the EEC—that is, on the southern tip of Madagascar.

The conflict between Europe, Eurafrica, and the world economy was about the universality of the laws of economic organization. Defending *Eurafrika* in 1961, the president of the European Commission, Walter Hallstein, argued for both the importance of history and the fundamental difference of Africa. He said first that it would not make sense to ignore the remaining ties from the colonial period "for the sake of a cosmopolitan, indiscriminate, humanitarian and unfocused policy." Not only did obligations exist, but Western laws had no bearing. He used a metaphor from physics, saying that "in our relationship to the developing countries, we are entering, so to speak, a new space, which has its own dimensions, and in which our Euclidean geometry is no longer entirely applicable."[87] The rebuttal of the Euroskeptic neoliberals consisted in claiming that, in fact, the same laws did apply and the modern era required equality in the form of the economically self-determining nation-state. The West German Economics Ministry under Erhard wrote in 1961 that the new states in Africa must "achieve true independence economically as well."[88] Against

the particularity of the EEC, the neoliberals held up the universal community of the GATT.

In the late 1950s neoliberals found partners for their critique of European integration in the unlikely place of the Global South. From the beginning, it was actors from Asia, Latin America, and the non–Associated States of Africa who were most openly critical of the EEC. The forum they used to express their criticism was GATT. It was at the Geneva-based organization that the so-called "outsider" states of the developing countries drafted a probing list of 132 questions to be circulated to the EEC countries about the nature of the new economic policy.[89] At the radical end of the spectrum, at the first Afro-Asian Solidarity Conference, held at the end of 1957 in Cairo, the European Common Market was said to make colonies "the property of six European countries" and "strangle the aspirations of the people for independence from colonial domination."[90] More moderately, Eurafrica was criticized by the Latin American economists at the United Nations Economic Commission for Latin America (ECLA) and by the government of India. Their complaint was that even if the EEC's regional arrangement was in line with the letter of GATT law, the protectionism in the Treaty of Rome contradicted its liberal spirit.[91] With the United States unwilling to provoke the Franco-German alliance, which became even more tenuous with Charles De Gaulle's staunch opposition to British membership in the EEC, and also unwilling to shine a spotlight on its own comprehensive practices of agricultural subsidies, the aggrieved nations of the developing world found tactical allies in Austrian and German neoliberals.

Protests from developing countries about Eurafrica in 1957 crystallized a wider concern about the worldwide decline in commodity prices after the end of the Korean War. A review session held in 1954 prompted the executive secretary of GATT to convene a committee in November 1957 led by Haberler to investigate.[92] The Haberler Report is routinely recognized as a major turning point in the history of both the GATT and now the WTO.[93] According to the secretary in his charge to Haberler in January, 1958, the report should address three concerns, all related to developing countries: first, the susceptibility of less-developed countries to fluctuations of commodity prices on the world market; second, the disparity in growth of international trade between more and less developed countries;

and thirdly "perhaps the biggest problem of all," the persistence of agricultural protectionism in developed countries.[94] Though the intention of the study was to address the concerns of developing countries, only the policies of industrialized countries would be open for criticism.

The choice of Haberler to lead the team was not surprising. At Harvard University since the 1930s, he was a leading expert in international trade as well as chairman of the National Bureau of Economic Research (NBER). The four-person team eventually expanded. New members include two other experts and active League economists—Meade, an architect of GATT who had also played a key role in formulating Britain's postwar full-employment policies, and the Dutch econometrician Jan Tinbergen, who created the first macroeconomic statistical model of a national economy while at the League. They were joined by Roberto Campos, a Brazilian economist who had been one of his nation's delegates at Bretton Woods and the head of the Brazilian Development Bank, whose U.S.-friendly policies had earned him the nickname "Bob Fields."[95] Another former League economist, Hans Staehle, had helped assemble the group. An econometrician by specialization, Staehle was a director of economic research at the League, drafting reports for the International Labour Organization (ILO) in Geneva in the 1930s and also consulted with Tinbergen on his first League volume on international trade.[96] Working for the GATT in the 1950s, Staehle corresponded with Haberler about the composition of the team. They shared a perspective on how the committee should look. Haberler expressed relief, for example, that Campos had been chosen instead of Raúl Prebisch of the ECLA, who was an advocate of liberalizing agricultural trade but also a strong advocate of industrial protection.[97] Haberler went so far as to suggest Peter T. Bauer, a fellow MPS member who was the most strident critic of both Third World industrialization and foreign aid.[98] Likely recognizing that this went too far, he then offered Meade as a compromise candidate.[99]

Haberler had no intention for his report to be used as reinforcement for projects to achieve economic evenness. He said explicitly that he was unhappy with the reference to the "further increase in the income gap" in the report's summary and further criticized the concept of a "desirable" rate of development.[100] He wrote that "it surely cannot be said so bluntly" but that that "underdeveloped countries are in the habit of blaming foreign trade

and the developing countries for their own policies."[101] He also added that "some other members of the committee will not agree," thinking here likely of Tinbergen and Meade, both of whom held views close to the Keynesian principles opposed by Haberler, who remained a staunch defendant of stability over both growth and full employment. In his writings from the 1930s to the 1980s, Haberler insisted that the open world economy was important as a means of disciplining potentially inflationary social spending and rash projects of industrialization—and the potential problems of the developing nations were never far from his mind.[102] In the 1990s Paul Samuelson remembered Haberler as a "minority voice" for his advocacy of "market disciplines" rather than import substitution and state-driven development in the 1950s and 1960s.[103]

Published in October 1958, the Haberler Report could have been written in Geneva twenty-five years earlier. Far from arguing that liberalization hindered development, it concluded that liberalization had not gone far enough. The specific targets of criticism were the industrialized countries. The EEC, which formally came into existence only months earlier, on January 1, 1958, was singled out for extending agricultural protectionism to the associated territories, which would "give rise to discrimination against other overseas countries in Africa and elsewhere."[104] Along with its criticism of the just-launched EEC, the report also assailed agricultural subsidies, which were especially widespread in the United States, leading to pointed rebuttals to the report from the U.S. Federal Reserve and the U.S. Department of Agriculture.[105] Europe, above all, was cast as a test case. "If the EEC were to grow into an instrument for trade-diversion and for increased protectionism against outside agriculture or other products," the report's authors warned, "it might be the signal for a growth of undesirable discriminatory arrangements of a trade-diverting and protective character."[106] Developing countries were already "of the opinion that the rules and conventions which are at present applied to commercial policy and international trade show a lack of balance unfavorable to their interests."[107] Institutionalizing Eurafrica would send a message that the rules were there to be broken.

The executive secretary of the GATT, E. Wyndham White, told Haberler that the report had met with "great success" and "had a decisive effect on our discussions here in the GATT."[108] "Very rarely," GATT's European

office wrote, "had a report by economists been so warmly received and widely acclaimed."[109] Talking about the "very considerable coverage in the British press," Staehle called it an "enormous hit."[110] The report was an especially large hit with the group that Haberler hoped to discipline: the developing countries. In May 1959 fifteen African, Asian, Caribbean, and Latin American nations, including leaders in the Non-Aligned Movement (Burma, Ghana, Malaya, India, and Indonesia), submitted a note on the "expansion of international trade."

In their interpretation, the Haberler Report had concluded that there was a tendency of "the export trade of the less developed countries to expand less rapidly than the trade of the highly industrialized countries," meaning that "special measures to assist the trade of less developed countries both in the field of primary products and manufactured goods had to be taken very early."[111] Ghana and Indonesia, along with Brazil and the United Kingdom, used the Haberler Report against the Eurafrican model of preference. In the 1990s the WTO would cut its teeth on precisely this issue as the United States brought cases against the Lomé agreement, a descendant of the original economic Eurafrica concept.[112] The case is read in popular imagination as an example of particular U.S. corporate interests being hidden in the universalist language of the free market.[113] It would present a major challenge to the Geneva School model of neoliberalism in the 2000s. Thus, it is all the more striking to see early postcolonial nations like Ghana, Indonesia, and India using the precise language of free trade with the Haberler Report as a lever, quoting it to the effect that the EEC'S preferential trade arrangements "will be trade-diverting rather than trade-creating."[114]

Against the frequently circulated cliché that Third World demands equaled the protectionist demands for tariffs, these developing nations were, in fact, using the Haberler Report to *oppose* protectionism and call for *freer* trade. Their list of "serious obstacles" included all the bugbears of the free trader: "protective quotas, subsidies and price support schemes" and quantitative restrictions. In other words, they were not asking for the right to opt out of the free world economy through barriers to protect "infant industry." Instead, they were requesting that the GATT—and by extension the industrialized world—live up to its own principles of free trade. Giuliano Garavini cites French complaints in the 1960s that the delegates

from underdeveloped countries had been "seduced by liberal doctrine."[115] The demand for development and the critique of both Europe and Eurafrica was being made in the language of the open world economy.[116]

Scholars often use overly broad characterizations of Global South countries as adherents to the ideology of dependency theory, which supposedly privileged the protection of infant industry above all else to diversify the economy.[117] In that narration, the exceptions are those countries with especially close ties to the United States—Japan, Taiwan, and South Korea—whose export-oriented industrialization models are usually seen as prefiguring the direction in which development would go once the Third World snapped out of its dependency-theory-driven delusions.[118] Looking at the response to the Haberler Report, one sees that the truth is less black-and-white. In fact, developing countries were advocates of both protection and liberalization at the same time. They followed a policy of "both-and" rather than "either-or." It was not a protectionist imaginary against a free-trade imaginary, with the developing world as atavistic advocates of the failed 1930s world. Rather, weaker nations used all policy tools available to them, including GATT.[119] In the case of the Haberler Report, developing nations used the master's tools against him by suggesting that Europe and the United States adhere to their own much-preached liberal principles. The Haberler Report shows that the rise and spread of neoliberal ideas can be understood only through its piecemeal adoption by Global South nations as a development strategy.[120]

THE CONSTITUTIONALISTS: THE TREATY OF ROME AS THE BIRTH OF MULTILEVEL GOVERNANCE

The Treaty of Rome produced a crucial split in the camp of neoliberal intellectuals. To one side were those who favored what Röpke called "universalist solutions."[121] The very Austrians and Germans who had proposed federal and supranational solutions through the 1930s and 1940s opposed European integration, fearing that it would obstruct the broader approach of the GATT and lead to the contagion of French *dirigisme* in Western Europe. The Haberler Report itself was a banner case of how Euroskeptic neoliberals not only pined for the return of a "liberalism from

below," lost since 1914, but also backed the search for a neoliberal fix to secure the open world economy.[122] In a report about the European Common Market submitted to the U.S. Congress months before the Treaty of Rome came into force, Haberler emphasized the need to strengthen GATT as a "watchdog" against Europe. "It is before GATT," he wrote, "that US and the interests of other outsiders (e.g. those of the other American states and Japan) can be best defended."[123] In a key move, Haberler spoke on behalf of not only the United States but also "outsiders." In a piece written in a festschrift for Erhard the same year, Haberler spoke similarly about the outsiders, including "Latin American countries, which are much poorer than Europe," that will be injured by European trade discrimination "and had no reason to accept this injury calmly."[124] Europe itself may profit, Haberler argued, "but the world economy as a whole loses."[125] "The question about an alternative to discriminatory integration policy is easy to answer. The alternative is: overall trade liberalization [as advocated by GATT]."[126]

Even against Haberler's precise intentions, his report launched a new era at the GATT. As a follow-up to the Haberler Report, the contracting parties at their thirteenth session in November 1958 decided to establish three committees to examine various types of action to promote an expansion of international trade.[127] The working group called "Committee III" initiated a "permanent shift" in the GATT relationship to developing countries in favor of their demands for market access.[128] For the next two decades, the developing countries were able to use GATT successfully to lobby for exemptions from "disciplines" of nondiscrimination and for permission to deviate from the strictures of the treaty.[129] One scholar notes that Haberler openly opposed the interpretation of the report's finding as proof for the theory of the declining terms of trade, arguing instead that "more trade" would solve the problem in the long run.[130] In 1964 he declared confidently that "the less developed countries have greatly benefited from the expansion of world trade and that the prosperity in 'the industrial centers' has spread to 'the less developed periphery.' " Failure to grow more quickly was the fault of their own protectionism.[131] In a notable irony, the Geneva School attempt to lock in liberal trade policy through the Haberler Report ended up creating the conditions for the precise opposite: ammunition for a Global South argument against a one-size-fits-all application of trade rules.

Chapter 7 will show how the reform of the GATT against just such deviations became an essential project for Geneva School neoliberals. Yet it is important to point out that just as one group of neoliberals was attacking the EEC, another was helping to create it. Indeed, in the project of constitutionalizing the EEC, neoliberals developed an institutional fix that would transcend the GATT by providing a mechanism of oversight and, most importantly, enforcement within the nation-state. The key figures in this story were two members of what are called the "second generation" of ordoliberals, Hans von der Groeben and Ernst-Joachim Mestmäcker. It is significant that these constitutionalists were trained as lawyers rather than economists. They argued that economic integration could work without political integration as long as a well-designed treaty created legal mechanisms to move against concentrations of public and private economic power. Whereas Franz Böhm and Walter Eucken had spoken of the economic constitution only at the level of the nation, the constitutionalists suggested it could be scaled up to international arrangements.

The work of the constitutionalists was a conscious application of Hayek's work, not from the 1930s but from decades later. Beginning in the early 1960s, Hayek began to suggest using the drafting of constitutions as a way to anchor economic freedoms against the attempts of legislatures to enact protectionist or redistributive policies. He had begun this effort in *The Constitution of Liberty,* which he wrote while he was at the University of Chicago, but this book was still extremely pessimistic about the possibilities of supranational organization: "The moral foundations for a rule of law on an international scale seem to be completely lacking still, and we should probably lose whatever advantages it brings within the nation if today we were to entrust any of the new powers of government to supra-national agencies."[132]

On moving to Germany, Hayek softened this position. The problem, as he had noted, was "how to divide these powers between the tiers of authority."[133] In his inaugural speech of June 1962 for his new position at the University of Freiburg, the original institutional home of Eucken and Böhm, Hayek reminisced about having learned law alongside economics during his training in Vienna. "One is sometimes tempted to ask," he said, "whether the separation of legal and economic studies was not perhaps, after all, a mistake."[134] The importance of law became clear in the course of

his presentation. He pronounced that his focus would henceforth be on "problems of economic policy."[135] Yet because of the limits of human knowledge, which had been his theme since the late 1930s, policy could not be based on the "erroneous" aggregates and forecasts of macroeconomics: "In order to interfere successfully on any point, we would have to know all the details of the whole economy, not only of our own country but of the whole world."[136] The world of numbers had been permanently discredited as the domain of the naive and the disingenuous. Given the distribution of knowledge among innumerable actors, Hayek said, "the chief task of economic policy would thus appear to be the creation of a framework within which the individual not only can freely decide for himself what he wants to do, but in which also this decision based on his particular knowledge will contribute as much as possible to aggregate output."[137] In the end, "principles are practically all that we have to contribute."[138]

Invoking the term introduced by Eucken, Hayek said both principles and measures would have to be *systemgerecht,* or "in conformity with the whole system."[139] The highest value for Hayek was not, in fact, individual freedom except insofar as it was a functional necessity for the overall reproduction and productivity of the system itself. Economic policy had more to do with setting the rules that would frame economic activity than with seeking a comprehensive overview of the economy itself, which was impossible. Ascertaining the nature of this framework necessarily led into realms of human behavior and statecraft beyond the normal ken of the discipline, which why, as he put it, "he who is only an economist cannot be a good economist."[140] Tending the system turned the task of economics into the task of institutional design.

Central to Hayek's thinking was a distinction he shared with Carl Schmitt, between law *(Recht)* and legislation *(Gesetz).* Like Schmitt, Hayek believed that the creation of law by democratically elected state governments was leading to a degeneration of the *Rechtsstaat* into a *Gesetzesstaat,* or legislative state.[141] He wrote that "the weakness of the government of an omnipotent democracy was very clearly seen by the extraordinary German student of politics, Carl Schmitt, who in the 1920s probably understood the character of the developing form of government better than most people."[142] He quoted Schmitt's essay from 1932 to the effect that "a pluralist party state will become 'total' not from strength and

force but out of weakness: it intervenes in all sectors of life, because it feels it has to fulfill the demands of all interested parties."[143] In other words, Hayek saw "unlimited" (or what Mises called "omnipotent") democracy as leading to totalitarianism out of a logic of capture. His efforts at constitutional design from 1960 onward were attempts to discover an institutional fix for the tendency of democracy to stray from economic order toward particularist rent-seeking and, as Alexander Rüstow put it, the transformation of state policy and national budgets into the "prey" of special interests.[144]

He laid out the parameters of this institutional concept first in a speech at the Chamber of Commerce in Dortmund, published in the *Frankfurter Allgemeine Zeitung*. He proposed a bicameral legislature divided into elected legislators tasked with everyday business of state, who he called "telothetes," and another set of legislators called "nomothetes" of ages forty to fifty-five elected by their peers to fifteen-year terms.[145] Putatively insulated from the pressures of interest groups by the length of their terms, the nomothetes would be responsible for the creation and interpretation of law. Hayek argued that such a change of institutions could be used as a means for "the slow production of a supranational order, in which all national governments could pursue practical goals while still being subordinated to common rules that would simultaneously protect citizens from the arbitrariness of their rulers."[146] In this model of what he later called "limited democracy," Hayek opened a door back to the supranational possibilities of the 1930s through institutional design.

Hayek's arrival in Freiburg reoriented ordoliberalism away from concerns with perfect competition, about which he was openly skeptical by the early 1960s.[147] The new direction was toward the idea of "competition as a discovery process."[148] As von der Groeben took up his position in the European Commission for Competition, he began to theorize his work in similar terms. Born in 1907, von der Groeben was almost a decade younger than the original Geneva School neoliberals Haberler, Hayek, Röpke, and Robbins. In 1965 he wrote that, on the one hand, "co-ordination of the economic programs of those who constitute the market is to be achieved by the play of forces in a market economy" but that this needed to happen within an institutional framework.[149] The most important aspect was "competition policy [which] does not mean laissez-faire, but the

achievement of an order based on law."[150] In his own telling, in the Treaty of Rome, "the rules of competition in particular were in accordance with neoliberal ideas."[151]

How neoliberal principles were enshrined in the treaty takes some unpacking, and scholars have emphasized that its competition provisions were far from carbon copies of neoliberal doctrine.[152] From the moment of its signing, it was clear that the Treaty of Rome was only a framework of law to be shaped by political direction.[153] The original articles in the treaty related to competition (Articles 85 and 86) were rather broad and did not give a clear role to the European Court of Justice. In fact, the treaty was only provisional on the matter of competition and postponed clarification for three years (Article 87). However, von der Groeben oversaw what would become the regulation implementing the treaty that passed in 1962. The regulation was modeled explicitly on those of West Germany, which entered force in the late 1950s.[154] Regulation 17 was worded much more strongly, especially in the "unlimited jurisdiction" it granted to the court in matters of fines and penalties. The updated regulation gave the Commission new authorities of community-wide surveillance over cartels and required notification directly to the Commission—if not the administrative capacity to follow up.[155] In deference to French pressure, however, there would still be crucial exemptions—for agriculture, defense industry, transport, and nuclear energy.[156] In a critical addition, Regulation 17 also granted the right to bring cases not only to member states but to "natural or legal persons who claim a legitimate interest" (Article 3).

From early on, German neoliberals saw competition policy as central even when the French saw it in terms of flexible principles.[157] As Mestmäcker put it, the goal for von der Groeben and his team was clear: "it was about bringing the economic constitution of the EEC Treaty to life."[158] Mestmäcker was the key figure in theorizing the repercussion of the Rome treaty as a model of governance in Hayekian terms. Born in 1926, he was a whole generation younger than the original cohort of the Geneva School. Part of the so-called Flakhelfer generation, his defining young experience was not of the First but of the Second World War, and the Great Depression would have been only a dim memory from childhood. Mestmäcker studied with Böhm at the University of Freiburg and paid homage to the work of his mentor throughout his career. One scholar calls him the "leading

representative of the second generation of ordoliberals."[159] His professional position was at the University of Saarland, but he was special adviser to the European Commission from 1960 to 1970. Mestmäcker saw the goal of "undistorted competition" in European Community law as "politically the most important effect of the appreciation of the legal shapability of the economic system, which in Germany was first recognized by Walter Eucken and Franz Böhm." It managed to combine the ordoliberal attention to law with Hayek's idea of "competition as a method of discovery."[160] Mestmäcker claimed to take from Böhm the idea that every economic order is the outcome of a political decision.[161] He was the most important figure in combining Hayek with Böhm and scaling up the economic constitution to the suprastate level.[162]

Gazing at the prospects for federation in postwar Europe, Haberler and other Geneva School neoliberals had invoked the ghost of the League of Nations with melancholy, arguing that an unwillingness to surrender sovereignty doomed any genuine attempt at economic integration. In a 1965 article Mestmäcker also harked back to the League—but in order to argue that Europe had found the institutional fix to transcend it. He recalled the World Economic Conference of 1927, where Clive Morrison-Bell had displayed his tariff walls map. At that gathering, the League had proposed the idea of international regulation of controls on the basis of the surrender of individual national sovereignty, but the proposal was "rejected as so extreme that 'no reasonable person' inside or outside the conference would stand for it." When one thinks about European Community law, Mestmäcker wrote, "it would be difficult to find a comparable case of involuntary prophecy" so precise.[163]

The EEC, in other words, had not only realized the lost promise of the League of Nations but surpassed it. Mestmäcker referred to Lionel Robbins's interwar federal writing, quoting his 1937 book on international order to the effect that customs unions work to decrease the "autonomy" of individual members.[164] Mestmäcker argued correctly that the distinctive nature of the EEC model was its investment in creating a political community "by means of the law."[165] It is difficult to find the presence of Hayek's thought per se in the negotiations of the Treaty of Rome, but one can see it clearly in the work of Mestmäcker. In 1973 he cited Hayek's "conclusion that a free system is possible only be renunciation of

discretionary policy and by binding all action of the state to general, constitutionally guaranteed legal principles."[166] As he elaborated later, he saw Hayek's work as an expansion on "Eucken's theory of the interdependence of the legal and economic orders."[167] Seeing European integration through the lens of "economic constitutionalism," he felt that the Treaty of Rome was a starting point for creating such an arrangement.[168] Most important to Mestmäcker was the fact that the goal of the treaty was to "exclude control of interstate trade as an instrument of national economic policy."[169]

National sovereignty had been pickpocketed by the Treaty of Rome. Power was granted in two directions: upward and downward. In the upward direction, the Commission was given the power to make tariff policy. Even more importantly, the Directorate General for Competition was given the capacity of oversight and potentially antitrust measures. In the downward direction, the EEC enshrined new private rights. The "legal subjects" of the EEC were "not only the Member States but also individuals."[170] In legal jargon, this meant the Rome treaty was "self-executing" and was "directly effective." As Mestmäcker put it, "if a conflict arises national law must give way."[171] As we will see in Chapter 7, this became the core of what would later be theorized by Geneva School neoliberals as "multilevel governance."[172]

Critical for Erhard's opposition to European integration had been his unwillingness, as a good statesman, to relinquish national sovereignty to a supranational entity.[173] By contrast, this was precisely what made the EEC valuable to Mestmäcker. The critical aspect of European Community law was that it superseded national law, making "the citizens of the member states subject to the law of the community."[174] Mestmäcker's elaboration on the theory was based on two principles: the power of the court to overrule national law and the ability of individuals to make claims directly to the court. As he wrote in 1965, the European Community was a "new legal entity in International Law whose legal subjects are not only the Member States but also individuals."[175]

Mestmäcker wrote that European Community law offered "for the first time" a means to fend off "economic power and government impotence" and "expand territorially the sphere of effectiveness of public power."[176] What this permitted was the separation of public and private law, providing

market actors a forum beyond their own state to make their appeals—directly now to the community level. Mestmäcker drew attention to those cases "in which access to the market is prevented or obstructed [which] make the protection of individual freedom a task of competition rules."[177]

The bifurcation of powers, upward to the community and down to the individual was essential to the constitutionalist reading of Europe. To neoliberal constitutionalists, Europe was a "supranational legal order" securing private rights enforceable by the European Court of Justice.[178] In Mestmäcker's synthesis of Hayek, Böhm, and Robbins, the emphasis is not on the surveillance rights of the Commission but on the legal relationship that placed the citizen inside the twin nested sovereignties of Europe and nation. The vertical legal relationship created from the individual to the European Court of Justice created an avenue to elude deviant exercises of national sovereignty and secure the human right to trade.

MESTMÄCKER, BÖHM, AND SCHMITT: THE ECONOMIC CONSTITUTION AND THE DECISION

An important turning point for the neoliberal discussion on Europe came in 1964 when the competition rules of the Treaty of Rome had their first significant victory as the European Court of Justice upheld the prohibition of an agreement between the German producer Grundig and the Dutch retailer Consten.[179] Von der Groeben called the Grundig-Consten case a "sensation."[180] It was after this case that Mestmäcker began to consider the EEC Treaty as having constitutional qualities by which competition law might protect "individual freedom" even against one's own national government.[181] He declared later that the treaty "embodies an economic constitution."[182] Used first by Eucken and Böhm in the 1930s, the concept of an economic constitution had two meanings. It was both descriptive of a given sociological reality and normative of a desired legal order.[183] Ordoliberals did not mean "economic constitution" primarily in the literal form nor did they assume that it had to be embodied in a founding legal document.[184] The fact explains why Böhm gave no particular attention to the debates about the West German Basic Law in the 1940s. In the minds of neoliberals, the Basic Law was not an "economic constitution" because it

did not embody a decision establishing a specific economic order, but instead was the outcome of compromise between more liberal and social democratic positions.[185] What was necessary for a genuine economic constitution was the unity of vision for an economic order, as defined first against the compromises of the Weimar Republic.[186]

Böhm took the description of the economic constitution as a "fundamental decision" directly from Carl Schmitt, who in 1928 described the constitution as a "comprehensive decision concerning the nature and form of the political unit."[187] In 1937 Böhm described it as "a normative order of the national economy" that must come into being through the exercise of a "conscious and aware political will, an authoritative decision of leadership."[188] He used martial metaphors that are worth quoting at length, declaring that "there is no longer any space for a silent growth, for an orderly formation of things out of the lap of the economy itself, that is, from the bottom up. Social Babels built of such great height and at such an accelerated tempo produce an unholy confusion of languages unless the idea of order that alone can represent the element of unity illuminates the totality down to its last details, unless the idea of order is based on the sentence: everything at my command!"[189]

Böhm's metaphors clash with those of Hayek, who specifically opposed the idea that social order followed the same model of organization as the battlefield, in the army, or inside a single firm.[190] As will be described in detail in Chapter 7, Hayek's ideas of spontaneous or "grown" orders put faith in the notion of forms of human interaction that were "the result of human action but not of human design."[191] Yet even as they were inspired by Hayek's proposals for constitutional design in the 1960s, neoliberals were frustrated by his inattention to the actual moment of implementation. For all his exercises in constitutional design, Hayek did not explicitly explain how they could be brought into action without the fallacy of what he called "constructivism."

Mestmäcker described the Treaty of Rome as a realization of the propositions of Hayek's argument for the need to bind the state through "constitutionally guaranteed legal principles."[192] Yet he saw that one of the weaknesses of law was its inability to acknowledge the politics of its own discipline.[193] He turned to Schmitt to help counter this. Looking at the evolution of liberal thought, Schmitt had argued that the nineteenth century

was a time of the creation of an autonomous space of politics and economics. Mestmäcker argued that Schmitt erred by taking the doctrine at its word. For liberals, it was the apparent depoliticization that was the political project itself. Yet this should not lead to the conclusion that liberals felt this was a completed process. The ongoing depoliticization of the economic was a continual legal struggle, one that required continual innovation in the creation of institutions capable of safeguarding the space of competition.

Schmitt contended that the disavowal of politics in liberalism did not make politics disappear but only concealed a fundamental friend / enemy distinction that was all the more elemental. In the liberal claim to speak for humanity at large, any of liberalism's enemies became not only opponents but enemies of humanity as such. Mestmäcker accepted his characterization and claimed that this was precisely why liberalism must not disavow its own political nature. Against Hayek's reticence about the moment of transition, Mestmäcker argued for openness about the need for the "decisionistic" grounding of free-market principles in acts of political will. To overlook the importance of the decision, he wrote, was to miss "the political meaning of the system of undistorted competition."[194]

Mestmäcker took from Schmitt the need to remain cognizant of the explicitly political nature of the neoliberal project of depoliticizing the economy. His position was supported by another second-generation neoliberal, Erich Hoppmann. Born in 1923, Hoppmann was Mestmäcker's contemporary who succeeded Hayek in his chair at Freiburg after his retirement. He dismissed as fiction the claim that the economy was simply a machine to be maintained by apolitical minders. Because every form of economic organization presumes some prior decision about outcomes, the "apparent depoliticization of economic policy" only hid disavowed value judgments.[195] He cited Hayek's argument that to think of the economy as a machine-like apolitical entity was itself a presupposition about how market society could work. He faulted Eucken for falling into the trap of seeing the "autonomy" of the economy as a realized outcome along with delusions about the possibility of "perfect competition."[196] Like Mestmäcker and von der Groeben, Hoppmann took from Hayek the idea that competition was a "process of information, discovery and learning" whose outcome could not be determined beforehand.[197]

Maintaining competition meant resisting the fallacy of the political neutrality of economic processes and of mechanistic visions of the economy as capable of being fine-tuned and tweaked for different outputs. Competition was not an object, a structure, or an endpoint. It could not be seen. "Uncertainty," Hoppmann put it, "is the prerequisite of freedom."[198] "Because of the 'openness of the historical process,' " all that was possible to facilitate the ongoing reorganization of human life effected by competition was to formulate minimally restrictive rules enshrined in binding law.[199] Citing Hayek, he said that we were left with the choice between a "teleocratic" or purpose-governed order that stymied the promethean character of competition or a "nomocratic" or "law-governed" social order that encased competition with all its consequences.[200]

The constitutionalists took from Hayek the importance of institutional design and the idea of competition as a discovery process. What they could not find in his theory was attention to the turning point—the moment of crux where the new constitution was put into place. What those same thinkers adopted from Böhm and Schmitt was a clear sense of how that happened: it was through the moment of decision. Mestmäcker solved Hayek's problem by conceiving of the European Court of Justice as "the guardian of the EEC Treaty"[201] and the Treaty itself as Hayek's call to bind the state through "constitutionally guaranteed legal principles."[202] The constitutionalists narrated Europe as a realization of Hayek's vision of a nomocratic society protecting the division between private law beyond the interference of democratic governments alongside the public law of states.[203]

Thus, only in its elaboration by neoliberal constitutionalists in the 1960s did the EEC offer a realization of the double government dreamed of by Hayek since the 1930s. Mestmäcker, in particular, offered a crucial bridge between the ideas of the first generation of Geneva School neoliberals and thoroughgoing theories of multilevel governance—a link more often asserted than proven by scholars. What is crucial is that Mestmäcker went further. In the Treaty of Rome as self-executing constitution and the European Court of Justice as guardian, he pioneered a model of supranational governance that had not only liberal principles at its core but a mechanism of enforcement capable of evading contamination by democratic claims-making. By 1972 Mestmäcker was suggesting a scale

shift: the Rome treaty "provided the foundations for progressively restraining economic power" as "a model for the development of international economic law *not only in Europe*."[204] Though very far from the actually existing EEC of the 1960s, the neoliberal vision for Europe looked like a crucial innovation of the neoliberal fix.

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European integration had a Janus face for neoliberals. Looking inward, the EEC was an example of how to integrate a market with a legal structure able to enforce competition across borders. Looking outward, the EEC was a fortress that absorbed colonies as associated territories into a new trading bloc by digging "a moat against the outside," disrupting long-standing relationships with other primary producing nations, especially in Latin America.[205] The conflicting stances of the two neoliberal factions reflected the face through which they observed the continent.

The constitutionalists looked inward and found Europe to be good, having achieved new means of enforcement and oversight that the neoliberal federalists in the 1930s had not dreamed of themselves. Constitutionalist neoliberals made compromises to bring the EEC into existence but also innovated new forms of multitiered governance. The "Hayekian conversion of ordoliberalism" embodied by Mestmäcker and Hoppmann pointed to a novel variation on the neoliberal fix.[206] If nation-states accepted laws binding their own freedom of discretionary policy, then the human right to trade could be enforceable by a supranational order. The idea of the multilevel economic constitution would be central to Geneva School neoliberalism into the twenty-first century.

By contrast, the universalists observed Europe from its outer borders and saw a segmented world market. Eurafrica compromised the postwar move toward freer trade and called to mind the preferential trade agreements of the 1930s. The first generation of Geneva School neoliberals had the terrified consciousness of those who had experienced as adults the interwar collapse of world trade. Haberler warned in 1956, "Let us not forget that the Great Depression after World War I did not start until eleven years after the end of hostilities."[207]

The universalists had the advantage of purity but they lacked the mechanism of enforcement. Haberler intended his 1958 GATT report as a weapon against the growing protectionism of Europe and a clarion call to liberal order. It had the opposite effect. When the Global South used the Haberler Report to demand more market access, the Global North refused to implement free trade and cut subsidies. Instead they took the nonliberal path of less resistance and began granting preferential treatment to developing countries in the 1960s. They could thereby continue to subsidize their own production while also granting better market access to the products of developing nations. The colonial association clauses in the Rome treaty "had breached the wall" of postwar liberal norms, as one scholar put it, and the wave of preferences that followed veered from the GATT credo of nondiscrimination.[208] The result was what Gunnar Myrdal called (approvingly) a "double standard of morality in international trade"—an expectation of reciprocity between industrialized nations and "special and differential treatment" between North and South. African nations renewed their association with the EEC after the wave of decolonization in the Yaoundé Agreement of 1963, signed symbolically in Cameroon to reflect the new balance of power; they did so again with Yaoundé II in 1969.[209] The agreement on a Generalized System of Preferences for developing nations in 1968 was another turning point as the United States followed the model of nonreciprocity pioneered by the EEC.[210] To neoliberals, it was the historically inflected model of Eurafrica, not the spaceless world of Haberler's League of Nations imaginary, that became the template for the 1960s.

Looking at the decade of the 1960s, neoliberals felt that the Eurafrica exception had let the genie out of the bottle. In his presidential address to the American Economic Association in 1964, Haberler described the EEC as an "imminent danger to worldwide integration."[211] The man who took Röpke's chair in Geneva, Gerard Curzon, called the American decision to allow the colonies in the Common Market "a case of original sin which was to cost the US dearly later on." True to Haberler's warning from 1958, the message of Eurafrica had been that "if the GATT could be ignored by its principal author for *raison d'état* it was not difficult to predict that others would soon do likewise."[212] In 1964 Haberler noted that Latin America was following the European lead, using regional integration as a "protectionist

device."[213] Writing in 1970 with his partner (and future MPS president), Victoria Curzon-Price, Curzon advocated a policy of "neo-liberalism" to face the epidemic of "neo-protectionism."[214] "The wind is blowing strongly from the protectionist quarter and policy makers are giving way," the Curzons wrote. "What is needed to reverse this state of affairs is either determined political resistance or a strong wind blowing in the other direction."[215]

In a notable symmetry with critics from the far left, some neoliberals claimed that the continued links between Europe and Africa after decolonization meant a perpetuation of empire. Harry Johnson designated Europe's ongoing trade preferences as a case of "neo-neo-colonialism."[216] Another neoliberal commentator referred to "preferences as imperialism."[217] Preferences were a result of the successful mobilization of bodies like the UN Conference on Trade and Development to gain some trade concessions from the openly hypocritical "liberal" nations of the Global North. In a bold somersault, neoliberals condemned this success as a failure to fully decolonize. Without uniform trade rules across the world, empire lived on.

By the end of the 1960s, neoliberals saw an EEC that "violated GATT rules more and more openly as it advanced."[218] How did they react? Chapter 7 shows that they borrowed a page from the European playbook to find a solution by extending the economic constitution beyond Europe itself. As challenges to the uniform rules of liberal capitalism mounted from the Global South in the 1970s, Europe and its laws became a countermodel to the demands for a New International Economic Order. The universalist and constitutionalist position found a synthesis in the plans to reform the GATT of the 1970s and 1980s. The idea of the economic constitution was set to go global.

7

A World of Signals

Order is not an object.

—FRIEDRICH A. HAYEK, 1968

Order is adjustment.

—JAN TUMLIR, 1980

By 1970 the age of empire was almost over. Beyond the Portuguese colonies in Africa and persistent white minority rule in much of Southern Africa, a world of formerly sprawling empires had segmented into a world of nation-states. The wave of decolonization transformed the membership of international organizations. The number of countries in the United Nations had grown from the original 51 to 127, with African, Asian, and Latin American countries constituting a clear majority. Developing nations, organized as the Group of 77 (G-77), over the course of the 1960s grew from being less than half of the contracting members to the General Agreement on Tariffs and Trade (GATT) to being over two-thirds.[1]

Neither a seat in the UN nor a voice in GATT equaled automatic power. Yet national independence made new political strategies possible. Emboldened by the "commodity power" flexed by the Arab oil-producing countries in the oil embargo of 1973–1974, Global South nations came together in what economist Mahbub ul Haq called in 1976 a "trade union of the poor nations."[2] They wielded state sovereignty "as a shield and a sword," using the forum of the UN General Assembly to pass resolutions on a "New International Economic Order" (NIEO) and a "Charter of the Economic Rights and Duties of States" in 1974, demanding redistributive justice, colonial reparations, permanent sovereignty over natural resources,

stabilization of commodity prices, increased aid, and greater regulation of transnational corporations.[3]

Neoliberal thinkers saw the European Economic Community's (EEC) "Eurafrican" trade preferences for postcolonial nations as evidence that colonialism had not ended cleanly. Delegates from the G-77 also argued that empire had not vanished with formal sovereignty. "Private investments, following the flag in past models, are seen now as precursors of the flag," observed Jagdish Bhagwati in 1977, "with brazen colonialism replaced by devious neocolonialism."[4] In an early influential treatise, Ghanaian president Kwame Nkrumah wrote that the abdication of administration annihilated the need for even an empty performance of accountability. Neocolonialism was "the worst form of imperialism." he wrote, "For those who practice it, it means power without responsibility and for those who suffer from it, it means exploitation without redress."[5] The rule of dominium could be even grimmer than that of imperium.

The NIEO sought to ease the sense of impotence through the leverage of UN votes. The 1974 Declaration contended that "vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism" continued to reproduce inequality after independence. Given the patent refusal of the Global North to live up to its own liberal principles by practicing actual free trade in key sectors such as agriculture, further deviations from the liberal principles themselves were necessary to account for path-dependent inequality. As an Indian delegate to the GATT put it, "equality of treatment is equitable only among equals."[6] Because this equality did not exist substantively, Global South nations had to secure the right to bend or secure exceptions from the rules.

NIEO demands were necessarily challenges to international law. Existing principles of international law, as one expert put it in 1973, restricted "the possibility for the measures of domestic economic decolonization necessary to provide the economic complement to legal independence."[7] In 1972 the Senegalese jurist Kéba M'baye proposed a "right to development," which was adopted by the Commission on Human Rights in 1977 and the UN General Assembly in 1986.[8] In the mid-1970s the UN International Law Commission set to work on articles to give legal weight to the demands of the NIEO.[9] The NIEO aimed for new legal standards that would permit deviations from free trade and allow for

nationalization of foreign-owned property. These were the very transgressions of dominium that neoliberals most feared.

Global South rhetoric was reflected in practice. Takeovers of U.S.-owned firms overseas peaked as the NIEO was declared. Seventy-nine U.S. firms were expropriated in 1967–1971; fifty-seven were expropriated in 1972–1973.[10] Investors received compensation equal to the seizure in almost every case, but the uncertainty produced by the apparent unsettling of norms of private property was a widespread concern in Northern business and government circles.[11] Opponents of the NIEO sought to fine-tune the rules for the world trading system in response to the disruption of predictability for foreign investors produced by such moves. What use were rules, after all, if the North flaunted them in its power and the South deviated from them to compensate for its relative weakness?

As we have seen, since the 1930s the Geneva School neoliberals believed that empire could end as long as private property rights—or what I adapt Hayek to call xenos rights—were protected worldwide and the free flow of capital and goods disciplined the behavior of postcolonial states. By extending the demand for sovereignty and autonomy from the realm of politics into the realm of property, the NIEO was in direct opposition to the normative neoliberal model of double government. As with the creation of the United Nations in the immediate postwar period, the scaling up of the democracy principle to the international level after the end of decolonization threatened the doubled world of global capitalism envisaged by neoliberals.

Scholars have described how neoliberals "took aim" at the NIEO in the 1970s, and defended what they called the "liberal international economic order" against its ideological challenger.[12] In conferences, articles and editorials, neoliberal thinkers presented what one called "the case against the New International Economic Order."[13] Gottfried Haberler, who had left his position at Harvard to become the first resident scholar at the American Enterprise Institute, convened one such conference in 1977. He declared the NIEO a graver threat than either communism or the resurgence of Western protectionism.[14] Hungarian-born conservative development economist and Mont Pèlerin Society (MPS) member Peter T. Bauer and W. H. Hutt's student Basil Yamey went the farthest in their polemics, claiming that the NIEO would result in not "an alleviation of the miseries of poverty, but the

spread of totalitarian government."[15] A U.S. economist remarked that Bauer's vehemence had him "imagining that the Saracens were at the Pass of Roncesvalles, the Golden Horde at the Vistula, and Suleiman the Magnificent just outside Vienna, such was the enormity of the danger to Western civilization posed by the NIEO."[16]

The NIEO roused neoliberal ire disproportionate to the percentage of world trade accounted for by the G-77 countries or the means at their disposal for enforcing essentially symbolic UN resolutions. Beyond the all-important commodity of oil, attempts to build global commodity cartels were rapid failures and demands for colonial reparations fell on deaf ears in Western capitals.[17] Understanding the irritation means recognizing that the NIEO was not acting alone. They found allies among influential Northern economists and social democrats mobilized by the NIEO. Acting in solidarity with the G-77 in the 1970s, a key cadre of what one contemporary critic called "global reformists" scaled up their own ideas of Keynesian planning to the world level.[18]

The prosthetic extension of human reasoning enabled by the computer was essential to the endeavor. The first computer-aided effort at seeing the world economy's future was the Club of Rome's *The Limits to Growth* in 1972, which forecast dire consequences if there was not a reduction in global consumption—and was actually criticized by many G-77 leaders for apparently foreclosing the possibilities of development and not differentiating among the differing responsibilities of different world regions. The second Club of Rome report, published as *Mankind at the Turning Point* in 1974, was more compatible with G-77 demands, predicting a growing gap between developed and developing nations without an increase in aid.[19] It was presented in the UN explicitly as a "frame of reference in the construction of a New International Economic Order."[20] The global reformists included Jan Tinbergen, who had sparred with Haberler at the League of Nations and helped bring Keynesian language into the 1958 GATT report. In 1974 Tinbergen began research for the Club of Rome in support of NIEO demands for the "reshaping of the international order."[21]

The Russian émigré economist Wassily Leontief, trained at the Kiel Institute for the World Economy, won the Nobel Memorial Prize in Economics in 1973 for a computerized model of the world economy. The

next year he called for a National Economics Planning Board, declaring that the U.S. economy was "a gigantic, intricate machine" into which one could successfully intervene.[22] In 1976 he took the plan global, publishing the so-called Leontief Report for the UN in support of the NIEO.[23] Expressing solidarity with the G-77, the global reformists argued that that the world economy could be actively "reshaped" to yield more equitable outcomes through the combination of computers, the right data, and enlightened policy.[24]

Opposing the world projects of both the NIEO and the global reformists was a formative struggle for neoliberals in the 1970s. Given what they saw as the G-77 misuse of state sovereignty to unsettle world economic order, neoliberals sought ways to circumvent the authority of national governments. By the early 1980s this manifested in renewed attention to modes of investment protection and third-party arbitration alongside the rethinking of criteria for World Bank aid and IMF assistance that would become known as the Washington Consensus.[25] Equally important was the rise of monetarism, culminating in the so-called Volcker Shock in 1979, which dramatically raised U.S. interest rates—and thus debt service payments for Global South nations—initiating the Third World debt crisis and dealing the "death blow to the NIEO movement."[26]

Scholars have tracked the rise of the Washington Consensus and shifts in ideologies of monetary governance in the United States. Yet they have overlooked the quiet counterrevolution that the NIEO challenge prompted in Geneva itself.[27] In the 1970s and early 1980s a trio of experts at the GATT, Jan Tumlir, Frieder Roessler, and Ernst-Ulrich Petersmann, explicitly applied the ideas of Hayek to rethink the international economic order and became the standard-bearers of Geneva School neoliberalism. Key was the idea of "stratified order," an isomorphism that Hayek perceived from the level of individual human cognition up to society as a whole. The Hayekians at the GATT expanded on Hayek's insight about order to propose a theory of multilevel regulation and multilevel constitutionalism that became influential in the discipline of international economic law, which coalesced in the 1970s and expanded rapidly in the 1990s. Their ideas fed an important intellectual stream that led to the metamorphosis of the GATT into the World Trade Organization (WTO) in 1995.

The 1970s staged a stark confrontation of world economic imaginaries. While the G-77 and the global reformists envisioned a world economy of nation-states in relationships of unevenness, dependency, and deteriorating exchange produced by a history of colonialism, the GATT reformers followed Hayek to propose a vision of the world economy as a "homeostatic self-equilibrating system"—an information-processing mechanism with strata of evolved laws helping to guide price signals to direct the behavior of the world's individuals.[28] At stake was the question of order. Against the NIEO vision of an end-state of redistributive justice, Geneva School neoliberals defined order as a perpetually shifting relationship of exposure to stimuli requiring response and adaptation in a necessarily unknowable future. More than simply a rearguard action to defend the status quo, the neoliberals proposed a framework and an ethos to defend the counterintuitive claim that "order is adjustment."[29]

In the Geneva School version of interdependence, rule-breakers at the margins like the NIEO could threaten the system as a whole and thus needed to be reined in. The neoliberals' remedy was the legalization of international economic relations under conditions of formal equality for states in a reformed GATT. The multilevel calibration of rules would substitute for the NIEO demands of substantive equality and preferential treatment for poorer nations. Drawing on Hayek's epistemology, they introduced what I call cybernetic legalism, which saw individual humans as units within a self-regulating system for which the lawmaker had the primary responsibility of transforming the system's rules into binding legislation. Radical in its own right, the neoliberals' own dream of a new international economic order was a world economy of signals—a vast space of information transmitted in prices and laws.

HOMO REGULARIS AND THE PRETENSE OF KNOWLEDGE

Understanding the particularity of Geneva School neoliberalism requires attention to the often misunderstood theories of their most important influence, F. A. Hayek. His theories from the 1970s were critical in linking the fields of law with the unknowability of the economy. Scholars have long argued that cybernetics, system theory, and psychology were the silent (and

sometimes not-so-silent) partners in Hayek's epistemology.[30] Just as one branch of the neoliberal movement extended toward the International Chamber of Commerce after the first meeting of the MPS in April 1947, another extended to the gathering of system theorists at the European Forum Alpbach, which Hayek attended in August 1947, putting him into contact with the leading lights of the new science.[31] Hayek crossed paths again with the system theorists in the 1960s at a conference on the "Symposium on the Principles of Self-Organization" and at another meeting of the Alpbach Symposium in 1968.[32]

Hayek's work came closest to system theory in the 1970s, when he combined it with his theory of jurisprudence in his three-volume trilogy, *Law, Legislation and Liberty.* He elaborated on his particular take in 1974 when he accepted the Nobel Memorial Prize in Economics a year after Leontief had won for his computerized model of the world economy and six months after the declaration of the NIEO in the UN General Assembly. Hayek's talk struck a discordant note in a decade when confidence in a knowable future was at an all-time high. He rejected as the "pretense of knowledge" the application of the methods of the physical sciences to problems of "complex systems" like society and the economy. He cited *The Limits to Growth,* which used computer simulation to warn of the earth's dwindling resources as an example of an illegitimate argument made under the mantle of science. Instead, he emphasized the limits to knowledge. Echoing metaphors he had used since the 1930s, he referred to the market as a "communication system" whose ultimate message could not be foretold. Competition itself was a process of discovering underutilized human knowledge and earthly resources. One could not hope for concrete data about the future to be used for planning, one could only hope for "pattern predictions." He conceded this might look like a "second best" use for science in the age of grand designs, but argued that a "lesson of humility" was necessary to fend off "man's fatal striving to control society."[33]

As with his inaugural speech at Freiburg in 1962, Hayek contended that the world economy, or "catallaxy," was sublime. It operated beyond reason, but what he called the abuse of reason could lead to its ruin. To demand a preconceived idea of economic equality in pursuit of "the mirage of social justice" was to foreclose the creative capacity of competition, scramble the

price signals of the market, and ultimately become "the destroyer of a civilization which no brain has designed but which has grown from the free efforts of millions of individuals."[34] The sanctity of the world economy—above statistics, mathematics, or even sensory perception—must be defended against "the synoptic delusion" of demands like the NIEO.[35]

Hayek's language sounded like the inverse of the discourse of the global reformists. Yet even as he disparaged the fallacy of computer-aided models, he drew inspiration from the same source of system theory. From the language of "pattern predictions" to his citation of Warren Weaver, Hayek did not argue against system thinking in his Nobel speech but with it. He made the case explicit when he wrote in the introduction to the third volume of his *Law, Legislation and Liberty* trilogy in 1979 that "it was largely the growth of cybernetics and the related subjects of information and system theory" that led him to modify his own categories.[36] He explained that he had adopted the idea of "self-generating order" and "self-generating structure" alongside spontaneous order; in place of order itself, he now often used "system"; for "knowledge" he substituted "information." Indeed, while Hayek disparaged the application of computers to economic policy, he offered, as scholars have observed, a vision of the world economy itself as an enormous information processor beyond the capacity of the human mind to either manufacture or comprehend.[37]

Cybernetics has its origins in the military research of self-regulating systems during the Second World War, specifically the design of antiaircraft guns with so-called servomechanisms that could follow a target without human guidance. It is most associated with Norbert Wiener, who coined the term in 1947 and helped popularized it with his widely read book.[38] Yet despite the association of cybernetics with what Wiener called "communication and control," and the possibility of total oversight within a closed system, Hayek's approach was to see cybernetics as a humble science, eschewing omniscience to identify rules of action and reaction at the micro level, which one could only extrapolate to the macro. He even rejected the term "control," suggesting instead, in a metaphor he returned to in his Nobel speech, "cultivation, in the sense in which the farmer or gardener cultivates his plants, where he knows and can control only some of the determining circumstances, and in which the wise legislator or statesman will probably attempt to cultivate rather than to control the forces

of the social process."[39] The metaphor of economic policy as akin to gardening was one of many links between his own thinking and that of Walter Eucken and Hayek's Freiburg colleague, Franz Böhm.[40] Indeed, as I have argued, Hayek's version of thinking in systems often appeared as a variation on the ordoliberal tradition of "thinking in orders" pioneered by Eucken.

Hayek arrived at his own version of system theory by looking at the place of humans in a range of complex systems that are, in a phrase he borrowed from the Scottish Enlightenment thinker Adam Ferguson, "the result of human action but not of human design."[41] Humans fumbled toward understanding without ever arriving at even an approximation of total comprehension. The best they could hope for was a set of rules that did not overly constrain or transgress the overall order—"pattern predictions" as he called them in his Nobel speech. Léon Walras said prices are discovered by groping in the dark, and Hayek saw humans as arriving at rules in a similar way, in an evolutionary process of trial and error, with more efficacious rules surviving as others passed away. He put it poetically in the 1940s, analogizing order to "the way in which footpaths are formed in a wild broken country." "At first everyone will seek for himself what seems to him the best path," he wrote, "but the fact that such a path has been used once is likely to make it easier to traverse and therefore more likely to be used again; and thus gradually more and more clearly defined tracks arise and come to be used to the exclusion of other possible ways. Human movements through the region come to conform to a definite pattern which, although the result of deliberate decisions of many people, has yet not been consciously designed by anyone."[42] An important influence on Hayek's evolutionary system thinking was a contemporary acquaintance, Ludwig von Bertalanffy, who was born in Vienna in 1901 and developed his own branch of system theory, named first in 1937.[43] Bertalanffy was careful to distinguish his "general system theory" from that of Wiener's cybernetics, emphasizing the origins he shared with Hayek in the studies of the Vienna Circle of the 1920s.[44] In the 1950s Bertalanffy founded a Society for General Systems Theory with the economist Kenneth Boulding and corresponded with Hayek about the latter's monograph on psychology, *The Sensory Order.*[45] Unlike other system theorists, Bertalanffy was not wed to the computer as the privileged tool of understanding, and he cited Hayek on

the point that "explanation in principle" was often all that was possible in complex systems.[46]

The essence of Bertalanffy's theory was the proposition that there is an isomorphism in the objects of study of the various disciplines, such as biology, economics, and psychology. At a basic level, common principles and rules bound all systems of the visible and invisible world.[47] Systems were wholes composed of parts "in interaction."[48] Hayek embraced Bertalanffy's promiscuous slippage of analogy between scales and phenomena. For him, the premise of isomorphism meant that metaphor rather than mathematics was central to broader understanding. Qualitative insights about the mind, the market, and the cosmos intermingled freely as diverse instantiations of what he called emergent or spontaneous orders or complex systems.

One can approach Hayek's idea of the system by imagining a visit to the seashore. Wading in the shallow water, you may see a school of minnows approaching, traveling in a rough and shifting orb. The school is not regimented into even lines but it does cohere as a basic shape. As you approach, the orb dissipates and then reassembles before moving in another direction. Order for Hayek must be as unplanned and spontaneous as the movement of a school of fish in water. As he phrased it in 1979, against contemporary attempts at global planning, "to explain the economic aspects of large social systems, we have to account for the course of a flowing stream, constantly adapting itself as a whole to changes in circumstances."[49] Attempts to rationally coordinate such motions must fail, and they can diminish the very fluidity and capacity for improvisation that makes the order function. Hayek's successor in Freiburg, Erich Hoppmann, expanded on the metaphor, writing about the "V" formation of flying geese. One cannot predict the behavior of any individual goose, but one can discern a rule about their overall order. Thus, "pattern prediction is possible."[50] The geese themselves do not know the rules—they adhere to the formation through learned and inherited behavior.

The roots of Hayek's idea of "constitutional ignorance" are in the 1930s but he developed the theory in earnest after the Second World War. A few months after the end of hostilities, in a talk in Dublin, Hayek said that the beginning of liberalism was understanding the limits of individual knowledge: "The fundamental attitude of true individualism is one of

humility toward the processes by which mankind has achieved things which have not been designed or understood by any individual and are indeed greater than individual minds."[51] Elaborating on this in one of his best-known articles, published the same year, he argued that we each possess only a small amount of information mediated by price, what he called knowledge "in an abbreviated form … a kind of symbol."[52] By exchanging goods and resources in the free market, we make use of that small amount of information. The sum total of all individual decisions everywhere—informed by their own small piece of the world's knowledge—adds up to a coordination of resources that would be impossible if attempted by a single individual. "The whole acts as one market," Hayek wrote.[53]

As Hayek described it in the 1960s, the knowledge problem was one of infinite regress on both the micro scale and the macro scale. Similar principles governed both the tiniest and largest imaginable orders. As one study puts it, for Hayek, "both the mind and the market are complex systems."[54] Another notes that Hayek blurred "the level that his analysis operated on, be it brains or individuals or groups."[55] One of Hayek's earliest adult experiences was a winter spent in a Zurich laboratory as a twenty-year-old in the year after the First World War, helping an anatomist trace nerve fibers in the human brain.[56] He drew on the experience for both metaphors and his understanding of cognition. To illustrate the difficulty of actually comprehending the system at work, he cited neurobiologists who found that "during a few minutes of intense cortical activity the number of interneuronic connections actually made (counting also those that are actuated more than once in different association patterns) may well be as great as the total number of atoms in the solar system."[57] Thus, the individual is not the smallest unit of study for Hayek. It is the neuron. And the highest unit of study is not the national or even the world—it is the cosmos. "There are, strictly speaking, no closed systems within the universe."[58]

As part of his attempt to prove the insufficiency of statistics and the opacity of human motivation, in 1964 Hayek conjured up the startling image of herds of computers roving the landscape. What if, he asked, "computers were natural objects which we found in sufficiently large numbers … whose behavior we wanted to predict"? We would need to know not only their behavior but the "theory determining their structure" in

their very programming. Because humans are "much more complex structures" than computers, we cannot blithely take the individual as the unit of study.[59] The human mind is so complex as to shade off into an incalculable infinity, and the universe is too. We are never able to arrive at a satisfying observation of our selves either at the level of the neuron or at the level of the galaxy.

One of Hayek's core propositions, key to understanding the transformations of Geneva School neoliberalism since the 1970s, is that the market is built on *precognitive* responses to price signals. In a representative statement from 1963, he claimed, "Man does not know most of the rules on which he acts; and even what we call his intelligence is largely a system of rules which operate on him but which he does not know."[60] This deference to the precognitive or the pre-rational is what separated him from the rational choice and rational expectations models of Chicago School economists, who professed much more faith in the possibility of both formal mathematical modeling and forecasting. As he explained in his Nobel speech, Hayek saw such efforts as not only presumptuous but misleading. The best one could hope for was pattern prediction. Such prediction was already innate to the way we navigate in the world. In 1964 he wrote of "the intuitive capacity of our senses for pattern recognition"—"we see and hear patterns as much as individual events without having to resort to intellectual operations."[61] Appealing like Hoppmann to ethology, or the study of animal behavior, he noted that "experiments with fishes and birds … show that they respond in the same manner to a great variety of shapes which have only some very abstract features in common."[62] This led him to believe that basic reactions involve, not simplicity, but an unwitting abstraction, an innate ability in animals, including the human animal, to recognize complexity without realizing they are doing so. "It would seem much more appropriate to call such processes not 'subconscious' but 'super-conscious,' " he argued, "because they govern the conscious processes without appearing in them."[63]

In a key offhand statement at the Alpbach cybernetics conference in 1968, Hayek said that "order is not an object" but an "order of events."[64] His vision of the world economy is like the school of fish, a complex of neurons, a galaxy—an ever-adapting whole that the human mind can never —and must never—seek to replicate. The only way to descry the abstract

principles within the system was "by what the physicists would call a cosmology, that is, a theory of their evolution."[65] "The problem of how galaxies or solar systems are formed," he wrote, "is much more like the problems which the social sciences have to face than the problems of mechanics."[66] In terms of the future, the capacity to adjust must always prepare for the unexpected. In an evocative analogy from his book on psychology from 1952, he offered the metaphor of the leaf, which "avoids being torn to shreds by a high wind by taking up a position of least resistance."[67] "What we call understanding," he wrote later, "is in the last resort simply [man's] capacity to respond to his environment with a pattern of actions that helps him to persist."[68] The system survives—and order results—through the reflexive efforts of individuals to reproduce both themselves and the totality.

On examination, one finds that in Hayek's theory the free will of the market actor is surprisingly limited. A metaphor that he returned to more than once is that of iron filings "magnetized by a magnet under the sheet of paper on which we have poured them." The filings "will so act on and react to all the others that they will arrange themselves in a characteristic figure of which we can predict the general shape but not the detail."[69] What he concluded from the analogy was that "the rules which govern the actions of the elements of such spontaneous orders need not be rules which are 'known' to these elements."[70] Another telling metaphor he favored was that of the attempt to recreate a crystal in a laboratory. We can never produce the crystal directly "by placing the individual atoms in such a position that they will form the lattice of a crystal or the system based on benzol rings which make up an organic compound," he wrote. But "we can create the conditions in which they will arrange themselves in such a manner."[71]

Hayek's argument was that humans are not as dissimilar from the components of the crystal or the individual iron filings as they might seem. "In all our thinking, we are guided (or even operated) by rules of which we are not aware."[72] He recognized that the term "knowledge" itself is misleading. "What we call knowledge," he pointed out, "is primarily a system of rules of action assisted and modified by rules indicating equivalences or differences or various combinations of stimuli."[73] We do not follow rules because they are based on a higher moral good nor because we have deduced our way to a conclusion; we follow them because we

observe subconsciously that they have "secured that a greater number of the groups or individuals practicing them would survive."[74] "Man acted before he thought," Hayek wrote, "and did not understand before he acted."

It may be more accurate to see Hayek as more a proponent of the idea of *Homo regularis* than of the idea of *Homo economicus:* The first commandment of humans is not to maximize profit but to react to stimuli according to rules in a way that will maximize the chance of survival. Humans, to Hayek, are "rules-following animals."[75] Rules, like prices, are signals directing the individual, often at a "super-conscious" level. Hayek's "neuro-sensory conjecture" has been explored deeply by scholars both sympathetic to and critical of his thinking.[76] What Philip Mirowski calls Hayek's "agnotology" is echoed in the presumption of "radical ignorance" of economic actors in the work of those who seek to explain why Hayek's model is incompatible with the "rational search" implied in contemporary forms of neoclassical economics.[77]

As the above metaphors make clear, the idea of agency is diffuse in Hayek's work. One scholar speaks of Hayek's "instrumental justification of liberty, [by which] freedom is essential for the utilization of dispersed, fragmented, and habitual or tacit knowledge."[78] Freedom, in this reading, exists to discover new and better rules. The vanishing of the subject is consistent with system theory in general, where the system itself becomes the protagonist. As one scholar puts it, "the seat of causality" in Hayek's framework is not the individual but "appears to be the entire web or network."[79] Another goes even farther, saying that "the only subject is at the level of the whole system of humanity and history."[80] To Hayek, the autonomous individual is an illusory effect dependent on its relation to the whole—which, in turn, is dependent on that illusory effect.

It should be clear by now that Hayek's most famous metaphor—"the road to serfdom"—is itself strikingly un-Hayekian. The metaphor of the road is foreign to Hayek's own cache, where the more common paths are neural. His own metaphors and examples—of crystals, clouds, iron filings, pipes, and switchboards—illustrate radial and branching networks of complex interdependence characterized by uncertain outcomes, limited knowledge, and limited agency, not single-path routes of intentionality. To Hayek, the idea of an anthropomorphized collective moving purposively on a single path is itself a cognitive monstrosity—the inversion of his

normative idea of order. Centralization in "what we call a nation or a state," he wrote, "is essentially the effect of the need of making this organization strong for war."[81] The problem, in other words, is not just the destination—serfdom—but the form of the metaphor itself—the nation as an autonomous agent and the basic unit of social life.

Hayek subscribed to a belief that the economist, the expert, and the policy maker had only limited knowledge. In this reading, the primary threat to order is not animal, lower-level impulses but rational, higher-level impulses. The danger is not so much the law of the jungle as the law of the engineers. Reason, if misused, is the enemy of order. Therefore, one might think that cybernetics itself would be the essence of Hayek's hated "constructivism"—coming from the Greek work for "steersman"—unless we acknowledge what my narrative has argued thus far.[82] Geneva School neoliberals did see a limited form of agency within the world economy. They saw individuals as indeed "steered" by the demands of the international division of labor. When functioning properly, the world market itself was the helmsman of human actors.

Leading ordoliberal Franz Böhm followed Hayek's cybernetic metaphors to help elucidate this vision. In his most important postwar text, he wrote that "the market price system … is of all the signaling systems produced by society the most mechanical or exact.[83] Citing Hayek on order, he wrote: "The principle of evaluation is, if I may draw on an expression from the field of automation and cybernetics, programmed into the steering mechanism which conforms to the program. The precondition for rational and orderly development is that all members of society are subordinated to the same steering mechanism in the same way."[84] Within both the "biological and social sphere," Hayek wrote in a key article, "spontaneous orders" form as "orderly wholes because each element responds to its particular environment in accordance with definite rules."[85]

For Hayek, Böhm, and all neoliberals who followed, the most relevant information for the reproduction of the system as a whole is prices. As Hayek put it in an interview, one of Marxism's errors was to see prices as reflective of the labor invested in an object. Actually, prices are important primarily for what he called, using a term from cybernetics, their "negative feedback effect." "The function of prices," he said, "is to tell people what they ought to do."[86] We could take the core of Hayek's philosophy to be

this: “The apparent paradox that in the market it is through the systematic disappointment of some expectations that on the whole expectations are as effectively met as they are. This is the manner in which the principle of ‘negative feedback’ operates.”[87] Hayek reveals much in this passage. What is privileged in the end is not the individual but the whole. Injustice is a functional requirement of the system. “Underserved strokes of misfortune,” he wrote, are “an inseparable part of the steering mechanism of the market: it is the manner in which the cybernetic principle of negative feedback operates to maintain the order of the market.”[88]

The very arbitrariness of “undeserved strokes of misfortune” increased the pressure on the individual to be as responsive as possible to price signals. The centrality of the figure of the entrepreneur for neoliberals can be understood better through this focus on danger. In a short piece on the entrepreneur from 1947, Röpke described the entrepreneur as “the node in the enormously complicated process of the market economy: he receives the impulses that the consumers send to him and translates them into the corresponding type and volume of production.” In an extraordinary metaphor worth quoting at length, Röpke writes that the entrepreneur sits “at a switchgear into which a thousand currents enter to be sent out again in another direction and another form. The private economic fate of the individual entrepreneur depends on the correct operation of this switchgear … and it is precisely this dependency … that offers the best guarantee that he will operate the switchgear as conscientiously, zealously, and intelligently as the engineer of a complicated electric locomotive whom we offer the same trust and confidence because we know that the fate of the train is, at the same time, also his own.”[89] By living dangerously, the entrepreneur risks the lives of others and therein risks his own life. Entrepreneurs, Röpke wrote, are “subordinated to the sovereignty of the market.”[90]

Although Hayek disparaged the engineer in the sense of the scientist who believes she has sufficient overview of an entire system to build it herself, he praised the engineer in the sense of the train engineer, for reasons similar to Röpke’s. He wrote in 1945 that “the price system [is] a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a

few dials, in order to adjust their activities."[91] In a near-identical metaphor from 1941, the engineer was instead "the individual entrepreneur [who] can read off, as it were, from a few gauges and in simple figures, the relevant results of everything which happens anywhere in the system."[92] The engineer and the entrepreneur became the ideal switches in the circuitry of the price system by reducing their agency to the response to stimuli in the precarious position of guiding a hurtling locomotive, churning power plant, or capitalist enterprise.

Given the above lengthy but necessary exegesis, it should be clear why the NIEO would not constitute an order in Hayek's sense. Order is not perpetuated by prescribing goals and desired end-states. Instead, the perpetuation of order requires that individuals—and states—defer to the wisdom of the system. For Hayek, the highest form of rationality is surrender to the greater knowledge of institutions, which are themselves the accretion of successful strategies determined through long-term processes of natural selection. The necessary ignorance must be preserved.

Yet where does this leave the activist neoliberal intellectual who is eager to intervene? In 1977 fellow MPS member James M. Buchanan complained that "to imply, as Hayek seems to do, that there neither exists nor should exist a guideline for evaluating existing institutions seems to me to be a counsel of despair in the modern setting."[93] John Gray contended that Hayek asks us to "entrust ourselves to all the vagaries of mankind's random walk in historical space."[94] Does Hayek's version of system theory really prescribe a kind of quietism in the face of the market? How should apparent deviations be corrected in a system of "super-conscious" rules and limited knowledge? These questions came to a head in the late 1970s as neoliberals witnessed what two of them called "the undermining of the world trade order" in the NIEO and the move of industrialized nations to the "new protectionism" of voluntary export restraints, orderly marketing arrangements, and a whole host of other measures they read as barriers to trade.[95] Interestingly enough, a key opportunity to revisit the chances for postimperial intervention—putatively against interventionism—came in one of the last remnants of the British Empire, in the crown colony of Hong Kong.

THE THIN LINE OF DELIBERATE DESIGN

The MPS meeting in Hong Kong in September 1978 was its first general meeting outside of Europe and North America. It was special also because it offered a chance for an early celebration of the eightieth birthday of the society's first president, Hayek himself.[96] Hong Kong was a remarkable example of the neoliberal fix in a basic form: a model of nonmajoritarian market economy that limited popular sovereignty while maximizing capital sovereignty with a much-touted free-trade policy, a robust bank secrecy law, and a low corporate tax rate. In many ways Hong Kong was the inverted version of the demands of the NIEO and the Global South in the 1970s. One speaker at a 1974 MPS meeting observed that because of its "exposed and dependent economic and political situation," Hong Kong was compelled to maintain "an environment conducive to profitable investment."[97] While Argentine economist Raúl Prebisch and the United Nations Economic Commission for Latin America (ECLA) theorized "dependency" as a negative state to be escaped, neoliberals openly prescribed it as a means of subjecting states to what Hayek called in the published version of his Hong Kong talk "the discipline of freedom."[98] Neither the absence of representative government nor Hong Kong's colonial status (nor, for that matter, the public ownership of all land) deterred a journalist covering the meeting from describing Hong Kong as "the most libertarian major civilized community in the world today."[99] What was admirable, in fact, was its solution to the disruptive problem of democracy.

Even as the MPS met in Hong Kong, the Chinese Communist Party was planning its own institutional fix for the People's Republic of China. At the time, mainland China as a whole exported no more than the tiny colony of Hong Kong. Deng Xiaoping's reforms started a process toward China's own form of nonmajoritarian capitalism, slowly introducing market freedoms without expanding political representation. The price mechanism was permitted without the mechanism of popular sovereignty—the multiparty election. In 1979, China opened the country's first export processing zones in the Pearl River Delta, a region of exception outside of the national tax structure that would become a defining form of neoliberal-style development by the 1990s.[100]

This future was distant in the 1970s, however, and in the decade of the NIEO, the situation still looked dire to neoliberals. The Hong Kong address presented by MPS president George Stigler was titled "Why Have the Socialists Been Winning?" The main problem he saw was the same conundrum of democracy that German neoliberals had been diagnosing since the 1930s and American public choice theorists since the 1960s: the "political process is strongly biased toward collectivism."[101] Given the possibility that the neoliberal position had become a "minority view," Stigler asked: "If in fact we seek what many do not wish, will we not be more successful if we take this into account and seek political institutions and policies that allow us to pursue our own goals?"[102] He identified a bright spot in Proposition 13, a piece of legislation passed in California that year that put a limit on property taxes and required a two-thirds majority to pass any state revenue measures.[103]

Stigler's address was published in the leading neoliberal journal, *Ordo.* It marked a turning point in the acceleration of the neoliberal search for institutional forms that would account for democratic realities but nonetheless lock in market-friendly outcomes. In the same issue, Buchanan laid out a plan for measures similar to Proposition 13 in an article titled "Constitutional Constraints on Governmental Taxing Power."[104] The advantage of tax reform in a federal state like the United States meant that the same principle applied that made Hong Kong a successful place of business—the state creates a more attractive investment climate that will encourage people "to vote with their feet, or with their mobile resources."[105] At the Hong Kong meeting W. H. Hutt met several South Africans invited by Hayek. It was after the meeting, perhaps inspired by Stigler's call for refinements of the neoliberal fix, that he wrote a seven-page single-space letter to the South African finance minister outlining his plan for weighting the franchise according to one's individual tax bracket.[106]

On the face of it, Hayek's talk had little to offer to Stigler's call for institutional design. Unlike Proposition 13, it made no call for higher bars for legislation or for binding states from redistribution. Unlike Hutt's proposal for weighted franchise, it offered no road map to link wealth to democratic power. Yet on closer examination, what one participant in the Hong Kong meeting called Hayek's "critique of sociobiology" contained clues about the application of his work to blueprints for global economic

governance.[107] Hayek's paper was titled "The Three Sources of Human Values" and was published as the epilogue to *The Political Order of a Free People,* the final book of his 1970s trilogy, *Law, Legislation and Liberty.* He opened with a direct engagement with contemporary theories of complex systems, charging that sociobiologists like E. O. Wilson saw only two sources of human values: genes and human reason. Hayek made the case for a third term in the nongenetic, nonrational reservoir of culture, interpreted as "a tradition of learnt rules of conduct which have never been invented and whose functions the acting individuals usually do not understand."[108]

Scholars rightly emphasize the centrality of evolutionary rules, spontaneity, and "grown order" in Hayek's thought.[109] Yet they often miss the fact that Hayek did not replace one pair (genes / reason) with another (genes / tradition). There were "three layers of rules," he insisted. In the first layer were the unconscious, and relatively constant, instinctive rules of physiology; in the second were the unconscious and acquired rules of tradition; and the third layer, "on top of all this," was "the thin layer of rules deliberately adopted or modified to serve known purposes."[110] The first two layers of rules were unknown, more akin to "regularity," as he put it, and we follow them unconsciously, just as an iron filing follows the magnet. But the uppermost, "thin layer" of rules consisted of "the products of deliberate design: these were the rules we made through the application of our reason and which we 'have to be made to obey.' "[111]

Hayek's tripartite stratification of the rules of conduct explained both individual cognition and the social system as a whole. Like many of his models, this one could easily shift scales. In 1960 he himself had drawn the analogy between the mind and society: "Like the forces governing the individual mind, the forces making for social order are a multilevel affair"; "articulated rules" could work only because they operated on the bedrock of unspoken "common beliefs."[112] Hayek's successor in the chair at Freiburg noted that Hayek retained "rules of individual conduct in the sense of law" as "the top layer of a stratification of rules which also comprises instinctive drives and tradition."[113] The framing of the known, deliberately designed, and articulated rules as a "thin layer" or "only the top layer" can give the impression that they are dispensable or negligible. Yet while it is true that Hayek's primary intervention was to emphasize the unspoken rules, it is

equally true that without the "thin layer" of articulated rules at the top of the hierarchy, his whole system would fall apart and humans would be equivalent to termites. No matter how "thin," the layer of conscious rules is necessary to reproduce social order as such. However slender it might be, what we might call Hayek's thin line of deliberate design is the lynchpin of the whole system. Pull it out and order dissolves.

It is beyond question that most of Hayek's references to design are negative, especially in his repeated insistence that orders that are "the products of human action but not human design." But it is essential to note that what he attacks are attempts to design completely. He describes his own project frankly as one of "constitutional design" in the first pages of his 1970s trilogy.[114] Though the top layer of rules may be thin, Hayek viewed it as the only place where humans can actually intervene: "Our main interest will then be those rules which, *because we can deliberately alter them,* become the chief instrument whereby we can affect the resulting order, namely the rules of law."[115]

It is helpful here to return to a distinction between planning and design offered by the philosopher Garrett Hardin in a 1969 article cited by Hayek in his Hong Kong paper. Hardin defined planning as "the making of rather detailed, rather rigid plans." By designing, he meant "much looser, less detailed, specification of a cybernetic system which includes negative feedbacks, self-correcting controls." He added that "the classical market economy is such a design."[116] Whether or not Hayek was inspired by Hardin directly on this point, the distinction helps clarify his writings. It is not difficult to argue that in the 1970s in particular, what Hayek is engaged in was a project of system design. Hayek's model is an economy of principles, or "rules of just conduct," as he called them, derived from physiology, the accretion of human tradition and—the site of action—the thin line of deliberate design.

It is thus misleading to characterize Hayek's writings from the 1970s as condemning us to, as Gray put it, "a random walk." Hayek says in black and white that "collaboration will always rest both on spontaneous order as well as on deliberate organization" and labels his project one itself of design.[117] For many scholars, Hayek's focus on the evolutionary, spontaneous, and unconscious aspects of order can distract from the fact that hard law encases the cosmos. Understood correctly, Hayek's meaning

is not that we cannot design the social system *at all;* it is that we cannot design the social system *entirely*—and that we *must* design part of it.

At the end of the same volume, Hayek provides an explicit example of how this thinking might be transposed to the global level. Though his writings on federation from the 1930s and 1940s are often discussed, his return to the topic in the 1970s has all but escaped scholarly attention. In 1979, in a section calling for "the dethronement of politics," Hayek wrote, "In this century our attempts to create an inter-national government capable of assuring peace have generally approached the task from the wrong end: creating large numbers of specialized authorities aiming at particular regulations rather than aiming at a *true international law* which would limit the powers of national governments to harm each other. If the highest common values are negative, not only the highest common rules but also the highest authority should essentially be *limited to prohibitions*."[118] Hayek offered here an indication of how his theories on international order, more or less dormant since the end of the war, could be scaled up to the global. A cadre of neoliberals would do just that by reviving Hayek's thought in Geneva. Retaliating against the G-77 with its own weapons, their solution to the NIEO was to fight law with law. The reform of the GATT would become, in part, a laboratory for Hayekian system design at the scale of the world.

NIEO AS SYSTEM ERROR

In 1977, the year before the Hong Kong MPS meeting, the GATT moved into a building newly renamed the Centre William Rappard after the impresario of the neoliberal intellectual movement at the Graduate Institute for International Studies in the 1930s and 1940s, whose wealthy family had originally donated the land. One of the first activities of the new occupants was to remove and cover over murals and tilework that had decorated the building in its previous function as the seat of the International Labour Organization (ILO). Rolled up and stashed in a gardener's cottage was a mural by Dean Cornwell; donated by the American Federation of Labor in 1956, the mural depicted female secretaries at walls of card catalogues, brass bands, and elementary schoolteachers flanking a central image of a

bare-chested worker in an ironworker's apron, broken shackles dangling from his wrists.[119] Concealed beneath linen wall panels were murals by Gustave-Louis Jaulme commissioned by the ILO in 1939 depicting figures parading in flowing garments holding palm fronds, gathering fruit, and relaxing beneath bowers.[120] Also effaced was a work of Delft tiles donated by Dutch trade unions in 1926 depicting the passage from the Versailles Treaty about the dignity of labor, translated into four languages, surrounding a stylized male worker clad in red who was building the pillars of world order after the war. Suggesting the racialization of the alternative vision of the world economic order that was replaced, WTO director-general Pascal Lamy quipped later about the art's removal: "It's a bit as if you took over from immigrants in a social housing development."[121] To the GATT's director-general Olivier Long in 1977, the art was incompatible with the spirit of his trade organization.[122] As we will see, rather than a world economy of labor, bodies, toil, and leisure, the GATT's world economy was one of price signals, rules, and, as Long declared in 1978, the "reaffirmation of the rule of law in international trade."[123]

At the time of its relocation, the GATT was in the midst of what one report called "Geneva's secret war" as the so-called Tokyo Round of negotiations (1973–1979) sought to rethink the world trade institution for an era after empire and after the dissolution of key parts of the postwar economic order. In 1971 the Bretton Woods system had ended in its original form when the United States unilaterally ceased exchanging dollars for gold. By 1973, responding in part to the diligent persuasion of Haberler and other neoliberals, the States let the dollar "float," allowing market demand (alongside targeted state interventions) to dictate its value.[124] In turn, many of the world's currencies floated too, launching an era of a variety of monetary strategies ranging from flexible exchange rates to "managed floating." Simultaneously, the end of IMF authorization for controls on capital movements brought back the "hot money" flows of the 1930s, amplified in volume by the greater global connectivity of telecommunications.[125] New investment flows were available to nations worldwide, but capital flight could also be punitive if foreign investors disapproved of costly policies like building domestic welfare states through higher taxation.[126] Neoliberals like Haberler saw the constraint as salutary because it compelled developed nations to see "the maintenance of

exchange stability as something which must take precedence over all other considerations."[127] The precariousness of a territory like Hong Kong could and should be paradigmatic for a post–Bretton Woods neoliberal world.

On its face the GATT was an unlikely spot for a neoliberal legal counterrevolution. Although all of its directors were lawyers by training, the preferred mode in Geneva was economic diplomacy and ad hoc negotiation. GATT did not even have an office of legal affairs until 1983, at a time when the World Bank already employed one hundred lawyers.[128] The situation began to change first under the directorship of the Geneva-trained lawyer Olivier Long. In 1978 Long first invoked the term "rule of law" in a speech at a London-based think tank, the Trade Policy Research Centre (TPRC), founded by Australian economist Hugh Corbet in 1968.[129] Long endorsed the proposal made the previous year in another speech at the TPRC by the American lawyer John H. Jackson, on the need to develop some way to stop the tendency of governments to "disregard or side-step GATT rules."[130]

Jackson, who in 1969 had written what is often called the "GATT bible," worked with the American Society of International Law in the 1970s to shore up what he called the "flimsy constitutional basis" of the GATT and salvage "the crumbling institutions of the liberal trade system."[131] He was also credited as the inventor of contemporary trade law and the single most important figure in international economic law.[132] Jackson saw two main sources of erosion of the rules-based order. On the one hand, industrialized Northern countries were using a host of "neo-protectionist" measures to fend off competition from rising economies like Japan; on the other hand, the vast group of newly decolonized nations enjoyed "their current majority status in many organizations, when voting proceeds on a one-nation one-vote system" and used it to secure exemptions from the rule-based regime. What might appear as a salutary scaling up of the democratic principle to the level of international governance was an obstacle to order for Jackson. "There is virtually no chance of significant rule-making authority developing in any international body today," he said, "which bases its procedures on the one-nation one-vote system."[133]

Jackson's targeting of the developing nations, relatively minor actors in terms of volume of trade, might seem misplaced. Yet it is entirely emblematic of the emergent field of international economic law and GATT reform in the 1970s. The world economic imaginary of the developing

world—represented by the United Nations Conference on Trade and Development (UNCTAD) and the G-77—was the Other against which GATT reform was defined. The reason was not (or, in some cases, not only) a crude neocolonialism or cultural supremacism but a backlash against concessions that the Global South had won in the 1960s. Through persuasive knowledge production, effective diplomacy, and collective mobilization, the Global South nations had secured first the so-called Part IV (1966) and then the Generalized System of Preferences (1971) that effectively freed them from GATT disciplines. This was the core of what became known as "special and differential treatment" for developing countries in the world trade regime.

The victories were tepid ones. The exclusion of agriculture from GATT meant that the primary exports of many Global South countries still had to compete against U.S. and European subsidies and protectionism. Yet the advocates of GATT reform saw concessions to the demands for mixed development as the indefensible core of decay in the rules-based global economy. After the resolution of the oil crisis led to a vast new sea of petrodollars to be recycled through Wall Street and the City of London to lenders in the Global South, the uniformity of conditions globally became all the more pressing. The TPRC and its in-house journal, *The World Economy,* became a clearinghouse for critiques of the NIEO and calls to reform the GATT in the 1970s and early 1980s.[134] One of the sharpest critics at the time was one of today's most influential economic commentators, Martin Wolf of the *Financial Times.* After beginning his career at the World Bank in 1971 (where he coauthored its first World Development Report with future MPS president Deepak Lal), Wolf was the director of studies at the TPRC in 1981 for six years before beginning at the *Financial Times.*[135] At the TPRC, Wolf criticized what he called "the desire of developing countries to create a world in which one group of countries has most of the obligations and another most of the rights."[136] By opting out of GATT disciplines, Wolf and others argued, developing countries were undermining the rule of law. As a 1984 TPRC report that Wolf helped write put it, "Developing countries have been engaged in a sustained assault on the liberal principles of the international trading system."[137] Against special and differential treatment, the goal of NIEO opponents was to promote the idea of one rule for all in the world economy.

The three most important GATT reformers in Geneva were all devotees of Hayekian thought. First was Jan Tumlir, the head of the research division from 1967 to 1985, remembered by some as the "resident philosopher" of GATT.[138] Tumlir was born in Czechoslovakia in 1926 and studied law in Prague before emigrating in 1949. After two years in West Germany, he moved to the United States, where he earned a PhD in economics from Yale in 1964. He moved to the research position at GATT that year, and was also a faculty member at the Graduate Institute of International Studies from 1968 until his premature death by heart attack at the age of fifty-nine.[139] The library of the Graduate Institute was housed in the Centre William Rappard, and Tumlir's library of several hundred volumes is still housed as the "Jan Tumlir Legacy Collection" in the building that is now the home of the WTO.[140]

In the 1970s Tumlir was joined at GATT by two lawyers with whom he would help formulate his Hayekian theory of international order. Frieder Roessler, born in 1939, was a graduate of Freiburg University, where he had studied with Hayek. He arrived at GATT in his early thirties in 1973.[141] Ernst-Ulrich Petersmann, born in 1945, also studied with Hayek at Freiburg. Before joining GATT in 1981, he had worked as an assistant at the Max Planck Institute for International and Comparative Public Law in Heidelberg and for three years in the legal office of the Foreign Trade Department of the German Economics Ministry. In his habilitation thesis he singled out Tumlir and Hayek for their exceptional influence on his thinking.[142] By the late 1990s Petersmann became one of the most internationally visible practitioners and advocates of the field of international economic law.

Roessler and Petersmann, along with Ake Linden, were the first members of the GATT's Office of Legal Affairs, created in 1983. Roessler became the first director of the Division of Legal Affairs at the GATT in 1989 and "drafted the bulk of a series of historical decisions on the transition from the GATT to the WTO."[143] One scholar calls Tumlir and Petersmann (along with John H. Jackson) "the GATT's major intellectual architects."[144] The GATT lawyers were worthy heirs to the Geneva School of neoliberalism. All of them either taught or researched at the Graduate Institute of International Studies. Their cohort also included Gerard Curzon, the editor of the *Journal of World Trade Law,* who assumed Röpke's chair

at the Graduate Institute after Röpke's death in 1966; and his partner, Victoria Curzon-Price, who taught at the University of Geneva and would later become the first (and, thus far, only) female president of the MPS. The Geneva faction worked closely in the campaign for GATT reform with the TPRC, which launched its journal, *The World Economy,* in 1977 with a lead article by Tumlir titled "Can the International Economic Order Be Saved?"[145] Tumlir contacted Hayek personally for the first time in 1975 to send him a draft of the article. He explained that *The World Economy* was intended "to be addressed to policy-makers and political public rather than to economists" and that the "main intellectual impulse" of his article derived from Hayek's work.[146]

Geneva School neoliberals sought to save the international economic order in the 1970s and 1980s by creating a rules-based system for the world economy. They hoped to counteract the atmosphere of pragmatism and compromise that reigned at the GATT and restore the coherence of a liberal order that had been eroding continually since the granting of preferences to colonial and later postcolonial states in the Treaty of Rome.[147] The "Eurafrican" deviations from liberal principles had continued with the granting of preferences to products from the developing world through the 1960s. Following Britain's accession to the EEC in 1973, the Lomé Convention of 1975 extended affiliation to forty-six African, Caribbean, and Pacific states, replacing the previous Yaoundé conventions as well as its British counterpart, the Arusha Agreement.

When Roessler arrived as a Freiburg-trained lawyer in 1973, he was told that people at the GATT "do not believe in law. They believe in pragmatism."[148] He explained in 1978 that his goal would be to apply "arguments to world economic relations that have been made by Hayek in a broader context."[149] The question was how to calibrate the system of rules to allow price signals to operate correctly when world economic order was being disturbed by "issues of distributional equity."[150] As we have seen, Hayek offered both "grown" rules, what Roessler called "de facto norms," as well as laws of deliberate design, or what Roessler called "de iure norms." While granting the general superiority of grown norms, Roessler echoed Hayek's argument for the purposive reestablishment of principles when order was under threat. He argued for the necessity of a "transfer of decision-making to judicial or quasi-judicial bodies able to take a long-term

view," suggesting that GATT as one such body that could "administer or interpret the rules in the light of broadly stated principles."[151] The GATT itself could constitute what I have called the thin line of deliberate design.

Roessler saw the Global South as the chief obstacle to a more rational organization of the world trading system. Coalitions of contracting members of the GATT with only miniscule portions of world trade were nonetheless using their votes to block or slow changes to the Charter; developing nations, as he put it, held "the key to legality."[152] Global South nations were also using the language of law proactively to pursue their own demands. The preferences they secured with GATT were one example of "principles turned into rules." Even more strident was the Declaration of the NIEO itself. Although UN declarations were technically nonbinding, they had a tendency to harden over time: "Once the principle is negotiated and written down it serves as a ready reference in debates."[153] The takeover of de jure norms by the Global South meant that industrialized nations were turning ever more to de facto norms, avoiding the forum of international organizations altogether. Such clashes, caused by the legal activism of the postcolonial and developing world, meant that, as Roessler put it in a quote from John H. Jackson, "the entire fabric of a legal structure can be … chewed away at the fringes over a long period of time."[154]

Petersmann's work in the 1970s was defined even more than Roessler's by a response to the apparent usurpation of international law by the nations of the Global South. Petersmann wrote more than a dozen articles on the legal aspects of the NIEO in that decade. He wrote about the "new state majority" created by the "emergence of over 80 underdeveloped new states in the course of decolonization, [and] the dominance in the General Assembly of the UN of the over 100 developing countries."[155] "Neoliberal international economic law," as he put it, was being replaced by principles of redistribution and solidarity, scaling up the welfare state and "economic and social human rights" to the global level. "The developing countries organized like trade unions," he wrote, were "demanding a total revolutionary revision of traditional international economic law."[156] The NIEO was an attempt at "the replacement of decentralized market economy mechanisms by UN planning bureaucracies (manned by bureaucrats from less developed countries)," which had been "rightly rejected" by the member countries of the Organisation for Economic Co-operation and

Development.[157] In short, UNCTAD was turning the "national idea of the welfare state into an 'internationalized' welfare world."[158]

According to Petersmann's reading, "less developed and state-trading countries prevent a uniform systematic concept for the world economy and a universally recognized international economic law system."[159] The demands of the NIEO were "a cornucopia of individual economic-political demands for North–South relations without an overall concept of political order."[160] The means of carrying out the assault on liberal principles was the same as had been feared since 1945: the one-country-one-vote model of the UN. Petersmann referred to an "electoral takeover of other UN institutions" that was pushing the law of development through.[161] Like Roessler, Petersmann acknowledged that UNCTAD's resolutions were not binding, but he also pointed out that they could take on the force of law with time: "The majority resolutions of now more than 100 developing countries could seriously influence the development of international law."[162] The transformation of the world scene from a "small club of western nations" in 1945 to "a much larger number of nations representing different civilizations" had put pressure on the character of international law itself.[163] Demands for "reparations for colonial guilt," in particular, were "tantamount to an international tax obligation for industrial countries."[164]

The question was "how far universal international customary law can be … created anew through changing majorities even against the will of individual states."[165] Petersmann pointed out that the Charter of the Economic Rights and Duties of States had already been used as a legal argument in the nationalization of American oil concessions by Libya.[166] As it had also been for neoliberals in the 1950s, the nationalization of foreign owned property was of primary concern. As acts of what Petersmann called "domestic economic decolonization," seizing foreign-owned property misrecognized political for economic sovereignty.[167] Decolonization itself was also a case in point, where the "right to self-determination" had become a reality "against the resistance of colonial powers."[168] If the right to escape empire could become a right, then why could the entire apparatus of existing norms not be discarded? "[Are] the over eighty developing nations, which have become independent since 1945, bound to the preexisting general international economic law, even against their will"?[169] In the 1970s

the answer seemed like a clear no. The world was being created anew and international customary law along with it.

The GATT lawyers saw it as necessary to work against these developments. Petersmann used a quote from Hayek as an epigraph to an article: "It is the essence of legal thinking … that the lawyer strives to make the whole system consistent."[170] Petersmann described his own methodology as that of "thinking in orders," derived from what he labeled the "neoliberal *Ordo* school" of Eucken, Böhm, Röpke, and Hayek.[171] Citing work on cybernetics, he pointed out that "systems analysis" illuminated how exceptions to the "rule mechanisms can often only be understood within the total structure of the system" and "can have undesired side effects in other parts of the system."[172] Seemingly inconsequential deviations, in other words, compromised the "capacities of reaction in the system" with effects on the world economy itself.

In Petersmann's understanding, influenced by cybernetics, the complex system had to be policed at the margins where flaws could originate. The violations of GATT rules by developing countries constituted just such deviations. He wrote of the danger of "pluralism" in "world economic law," with one set of rules for the North and another for the South.[173] In a 1977 piece coauthored by Tumlir, the GATT Research Division struck a similar note, remarking that "once it is realized that any successful infraction of the rules sets a precedent, both at home and abroad … an accumulation of such precedents may undermine the whole order of intricately specialized yet coordinated activity."[174] For these thinkers, the biggest threat to the integrity of the world trading system in the 1970s was the activism of its least powerful economic players, most of which had just emerged as nations from a history of empire. By proposing new rules for the game rather than adhering to the liberal precepts of an earlier era, Global South actors threatened to cripple the entire system.

The most important in the trio of Hayekian GATT experts was the elder figure, Tumlir. He shared the fixation of Hayek's students on the NIEO as a global system error, describing it as a "degenerative development" in the world economic order.[175] He realized early why the changed circumstances of the 1970s made the developing countries newly important beyond their growing majority in international organizations. In a 1974 talk at the TPRC that was published as a newspaper editorial, Tumlir explained how the

resolution of the oil crisis—through the quadrupling of oil revenues—presented a quandary: Where would all the extra liquidity flow? He concluded that the only noninflationary outcome would be the investment of petrodollars to the capital-hungry Global South as a spur to industrialization projects. A cartoon by Michael Heath accompanying the editorial pictured a grotesquely caricatured Arab man flipping a coin marked with the sign of industry to a supine turbaned and similarly hook-nosed beggar representing the Global South. Industrialized countries, Tumlir argued, would profit by providing "equipment, machinery, engineering and management know-how for this new massive investment" and would thereby "have an opportunity to earn their petrodollars without cutting each other's throat."[176]

Not pictured in the schematic (and racist) cartoon were the critical way-stations on the route from Middle East to Global South: Wall Street and the City of London, where the financial services sector would play a key role in directing investment Southward. It was clear in Tumlir's reading that if the Global South received a huge new pool of investment capital, the onus would be ever more on them to adhere to rules that would secure predictability for investors. Tumlir's editorial appeared in early February 1974. Less than three months later the NIEO declaration passed in the UN General Assembly, suggesting that the G-77 had no intention of cooperating with the old norms and sought to write their own rules instead.

Speaking on the occasion of Hayek's eightieth birthday, Tumlir attacked the destructive hubris of the Global South. The NIEO, he said, expressed "the confidence in modern societies' power of deliberate self-reform and self-regulation." This was not positive but negative: "Not only do nations claim to be determining their own future within a global order; now that order itself is to be transcended, the world as such [is] being mobilized to determine its own future within the order of the universe."[177] Tumlir believed that the G-77 coalition of poor nations was making the same mistake that Walter Lippman had seen in the 1930s and Hayek had diagnosed ever since. They were falling prey to the allure of "omnipotence and omniscience"—the misguided belief that one could actually change the world. Most galling for Tumlir was the appropriation of the term "order" itself. As he noted, the word has two meanings: "There is the order of observed results (the streets are safe and prices stable)," but "in a more

analytical sense, the concept is used to denote the set of rules and institutions which produce the observed regularity and orderliness."[178] The goal of order was not to give the people what they want but to prevent them from taking what they want—and thereby destroying the system as a whole. His apodictic phrase could serve as a slogan for the entire Geneva School of neoliberalism: "International rules protect the world market against governments."[179] The world economy must be defended against governments themselves, which themselves need to be protected from their feckless populations driven only by self-interest.

Tumlir contended that by following these rules, states would be also salvaging their own sovereignty against internally grasping forces. He said in 1981: "The international economic order [could act] as an additional means of entrenchment protecting national sovereignty against internal erosion."[180] Also in that year he quoted Mestmäcker: "The problem is how to structure, or order, an economy so that it can become neither the servant, nor the master of the state."[181] By adopting binding rules, states would save themselves as they defended the world economy. The fact that such sovereignty would mean not unbounded autonomy but a subjection to the forces of the world market was taken as a matter of course. In a key reframing of the central category of the NIEO, Tumlir contended that order was not stability nor was it equity: instead, "order is adjustment."[182] Like Hayek's metaphorical leaf adapting to the changing wind, to thrive—and survive—was to be open to constant change. A piece he coauthored as the head of the GATT research team expressed it this way: "Adjustment to change is a necessary condition of economic growth—indeed, the growth process is little more than a sequence of adjustments."[183] The "order" of the NIEO, in short, was nothing more than "a refusal to adjust."[184] Taken together, the GATT reformers saw the G-77 demands for redistribution and special and differential treatment as producing aberrations in the uniform system of rules, which could lead to a catastrophic breakdown of the mechanism of the world economy. Order meant continual adaptation within a system, and the role of lawmakers and institutions was to transform the system's rules into binding legislation. What was needed was not only a guardian for the economic constitution but a guardian of the homeostatic system.

CALIBRATING THE STRATIFIED ORDER

At the beginning of the 1980s Tumlir reflected on the problem of world economic order in the twentieth century. Echoing Röpke and Hayek before him, he wrote that before 1914, "order functioned without being fully understood." Although this informal spontaneity was the best possible order, it could not be reproduced easily. This was made clear when "the same men who administered the international economic order before 1914 were unable to reconstitute it after 1918."[185] Tumlir observed that Robbins and Hayek had proposed their federal plans as a first solution in the 1930s. Along with other interwar liberals, including the ordoliberals Böhm and Eucken, they perceived that there was an "inherent tendency of nationalism to subvert economic policy of democratic states into a zero-sum game."[186] Tumlir adopted their insight that the masses capture the state under conditions of democracy. After this point, the state "ceases to be a government and becomes an arena for gladiatorial combats of organized interests."[187] "Where market failures are occasionally discernible," Tumlir noted, using a phrase employed by contemporary public choice theorists, "*government failure* is pervasive and massive."[188]

Tumlir's conclusion, which he shared with Petersmann and Roessler, echoed that of Stigler in Hong Kong. Asking why the socialists were winning, he conceded that perhaps democracy may simply lead by its own logic to socialism. "While the working of the economic order depends on the internal consistency of its general rules, the democratic political process is largely concerned with securing exceptions for particular groups."[189] Thus, to fend off socialism or the state's becoming, in its fragmentation, the "prey" of individual interest groups, and to defend the safety and mobility of capital, required an institutional fix. Tumlir recalled that the solution of Robbins and Hayek to this so-called government failure—by which he meant a failure of the state to protect the world economy—was in an "international authority … endowed with effective power to make rules, adjudicate under them and enforce the decisions."[190] Their error, however, was the absence of adequate means to enforce those rules within the nations in the federation that remained formally sovereign.

The 1930s neoliberal federalists had been optimistic about the good faith of enlightened nations capable of discerning their own self-interest in sticking to the global rules. Tumlir saw the post-1945 settlement as similar to this arrangement. Nations agreed to the rules, following the guidelines of the Bretton Woods system and largely adhering to the rules of the GATT. In some ways he saw this as a vindication of Hayek and Robbins's hope for enlightened federalism. This temporary "re-integration of the world economy was thus a result of the new discipline governing the conduct of national economic policies. This discipline was accepted by governments in the form of agreed international rules."[191] The critical turning point after which this model was no longer viable was the end of European overseas empire. Problems emerged, he noted, "when decolonization greatly increased the number of independent countries. They came to claim all kinds of dispensations from the disciplines" of the postwar international order.[192] When the industrial nations granted these exceptions, they implicitly acquiesced to the view that "discipline … was a luxury only the rich could afford; that it was, in fact, an obstacle to economic growth."[193] The preferential treatment of former colonial countries, the Part IV of the GATT, and nonreciprocity—these were all aspects of the North's concession that the royal road to modernization was through infant industry protection, benevolent transfers, and the right to break the rules.

At Haberler's conference on the NIEO at the American Enterprise Institute in 1977, Tumlir warned of "frightening" parallels to the 1930s.[194] In both the interwar period and the 1970s, the misstep was what Tumlir quoted Karl Popper to dub " 'the fallacy of sovereignty,' the concept of sovereignty as unlimited power, virtual omnipotence."[195] Once again we see that the neoliberal intervention was a call to think holistically—in world orders—and to be aware of the conditions of complex interdependence. Far from employing a rhetoric of personal freedom, Tumlir cast his warnings in the Hayek-inspired Geneva School rhetoric of the limits to freedom inherent in the functioning of the totality, or what he called the "costs of interdependence" by which certain "legitimate national objectives … have to be sacrificed to the discipline of the international order."[196]

Drawing on ideas of system theory, the GATT reformers felt that the drift from rules was contagious and perpetuated by imitation. As Tumlir put it, "Once the rules constituting the international order are seen as an

obstacle to growth, the order becomes hard to defend. And it ends when the leading country itself begins to claim exceptions from the rules it has induced others to accept."[197] Despite the ever-increasing volume of global trade—which one might see generically as a sign of integration—the deviations from the legal norm had left the world order in "an advanced state of disintegration."[198]

Tumlir arrived at his solution through a scale shift. He adopted Böhm's call from the 1930s for a decisionistic "choice" of an "economic constitution" but took the step, which the German lawyer had not done, of transposing this method to the international scale.[199] In an admiring essay, Tumlir noted the scarcity of the German jurist's references to "the international matrix" and insisted that "an economic constitution is not complete without a theory of foreign economic policy and the legal control of it."[200] He proposed taking Böhm's thought in two directions of practical application. The first was to develop "a theory (and binding articulation) of private rights with respect to foreign transactions." This resonates with this narrative's earlier discussions regarding the creation of private international law as a global domain defensible regardless of national jurisdiction. International investment law and the idea of a new *lex mercatoria* can be placed in this realm. The second direction was to develop "a theory of adequate anchoring in domestic law of the international agreements and policy rules established by economic diplomacy."[201] Here Tumlir introduced what would be his lasting contribution to the institutional design of Geneva School neoliberalism: using national courts and constitutions as the means by which capital rights are locked into domestic legal systems.[202]

Like all neoliberals, Tumlir recognized that for the market to exert its salutary discipline, it needed an extra-economic framework. "The international system of trade and payments as such cannot exercise discipline over sovereign governments in the sense of compelling them to conform in their actions to the system's rules."[203] Recall here Röpke's scoffing at the "juridicism" that implied that nations would follow codes set at an international level and litigated at the Hague, the UN, or elsewhere. Tumlir's solution was different and more radical—law would not be conducted between nations but within nations, not at the border but "beyond the border," as it would become known. The system depended ultimately not on an international effort but on an "active *national* effort to

conform to it and so uphold it."[204] Because "the present crisis [was] not economic … but political," the judiciary was a means of eluding the interference of democratically elected entities. "The courts are the agency which can bring the internationally-agreed rules to bear on legislative decisions," he wrote.[205] Domestic courts, not international courts, would enforce world economic law. Courts offered the necessary wedge and the solution to the "constitutional breach" they themselves had allowed to occur.[206]

In looking for a way to theorize a restored order, Tumlir looked in a place that superficially seems curious: Hayek's idea of stratified rules of conduct. Hayek had described a tiered system with made rules as a thin line of deliberate design resting atop the grown rules of tradition and the physiological impulses of instinct. Tumlir described the need to design rules at a series of scales "between national, regional and international systems" as a "deliberate application of Hayek's insight concerning the stratification of order."[207] The essay he cited was one of Hayek's more obscure and dealt with cybernetic questions most directly. It was typical in its isomorphism, beginning with the statement "It does not matter … whether the individual members which make up the groups are animals or men" and adding in a footnote "or even whether they are living organisms or perhaps some sort of reduplicating mechanical structures."[208]

By his own testimony, Tumlir was also influenced by the text explored above, an extract from the end of the *Law, Legislation and Liberty* trilogy, which Hayek delivered as a speech in Hong Kong. In June 1979, before he wrote his most important synthetic texts on international order, Tumlir wrote to Hayek about the "marvelous ending of your third volume," which had changed his "views on a number of issues." "It is difficult to imagine," he wrote, "that anyone in this century or the next fifty years could provide a deeper foundation for a theory of justice and liberal order."[209] Tumlir signaled his acceptance of the cybernetic undertones in Hayek when he asserted that "an economy, national politics under a constitution and the international economic order can all be considered homeostatic self-equilibrating systems."[210] To Tumlir, Hayek's attention to the problems of verticality and federal forms above the nations complemented the ordoliberal focus on horizontality within the nation.[211]

Tumlir was not alone in his repurposing of Hayek's theories. Petersmann also cited Hayek's work on stratification of rules of conduct to argue that "principles and rules are designed to influence individual behavior and to promote 'spontaneous order' or deliberately created 'directed orders' so as to enable economic agents to form reasonably correct expectations regarding the future behavior of individuals (including government officials) in the economic sphere."[212] His own definition of the global economy adhered strongly to cybernetic metaphors. "A far-reaching international division of labor among billions of people is possible only by relying, to a large extent, on the informations [*sic*] conveyed by spontaneous market prices (as a cybernetic feedback mechanism) and on the free efforts of millions of people guided by general framework rules of private and public national and international law."[213] He proposed Hayek's idea of a vertical hierarchy of legal layers as reflecting both the actual historical forms of economic order, especially after the Second World War, and a normative, aspirational order.[214] It is striking that at the turn of the 1980s, before the role of cybernetics in Hayek's thought had even been acknowledged by scholars, Hayek and the GATT legal experts were writing from a shared perspective on hierarchical systems of communication and conduct. In the work of the neoliberal experts in Geneva, the multitiered metaphor that Hayek used for cognition was scaled up to rethink world economic order.

Yet how could these rather abstract Hayekian concepts be operationalized? How could the feedback mechanism between national and international systems be secured? The template adopted by the GATT reformers was the European model of multilevel governance and the "economic constitution" described in Chapter 6, as articulated by Mestmäcker.[215] Tumlir contrasted the "weakness" of the GATT in providing an "authoritative interpretation of its rules" to the "radical" solution of the EEC in creating a "uniform European law." Crucial was that "the common European law overrides the national law of member states."[216] Conceptually, he wrote, "this is the strongest possible form of implementing a supranational order. Its rules are genuine law, fully integrated into municipal law of member States, interpreted by a single authority, and creating enforceable private claims on each member State to comply with its treaty commitments."[217] What was special about European law was that

it was, in the legal jargon, "directly effective" in nation-states. That meant that individual citizens—and "legal persons" (a category that crucially included corporations)—could appeal to European law within their domestic courts; the fact that "the common European law overrides the national law of member states" and that national courts enforced European Community law made it "the most radical" approach to the problem of inter-state order.[218] For Tumlir, the built-in capacity of the European Community in its ideal form to enforce smoothness of the transmission of price signals across the levels of the individual, the national, and the supranational made it "a nearly perfect example of an intermediate order in the Hayekian sense."[219]

For Tumlir, Petersmann, and others in the influential cohort of the drafters of the WTO, the goal was to scale up the "European idea" of neoliberal constitutionalism from the continent to the world economy, making the WTO into a "trade constitution" in which the Dispute Settlement Body and the Appellate Body would act as equivalents of the European Court of Justice.[220] Consistent with the development of Geneva School neoliberalism, their idea joined the thinking of Böhm and Hayek, bringing neoliberal decisionism and a vision of the strong legal enforcer to the Hayekian cybernetic construct of stratified, multilevel order. Inspired by their concern about the "degeneration" of the world trade order effected by the NIEO and its potentially contagious effects, the GATT reformers sought to fulfill the spirit of Hayek's vision by calibrating a stratified order for rules of just conduct in which prices as well as laws and rights would act as "signals and incentives for adjustment."[221]

Although Tumlir died suddenly of a heart attack in 1985 and was not alive to see some of his ideas bear fruit, his intellectual partner Petersmann was one of the leading figures promoting the idea of "constitutionalizing" the world economy in the discipline of international economic law that he had helped create, pushing precisely the issues that Tumlir identified at the turn of the 1980s.[222] The WTO that came into being in the mid-1990s was not exactly as the reformers envisioned. Nonetheless, by allowing some directly effective rights (in the case of intellectual property) and moving from enforcing the "at-the-border" issues of GATT to "beyond-the-border" issues including services, intellectual property rights, and labor, environmental, and health standards, it did fulfill some of the normative

desiderata of the vertical stratified order.[223] The story told in these pages cannot substitute for reconstructing the scrum of negotiation and bargaining that led to the creation of the WTO in 1995. The road to the WTO was a twisting one of diplomacy, political economy, and power politics, with the United States, above all, as the most important player.[224] Yet often lost in the description of the WTO as a tool of American power politics or a space for disempowered negotiation by developing countries is a sense of the animating ideas behind the enterprise itself. What we recover in the writings of the Hayekians at the GATT is a genealogy of thought that linked the neoliberal world economic imaginary from the 1920s to the 1990s. For my narrative it offers the last episode of the twentieth-century neoliberal search for an institutional fix in a world they saw as always threatened by spasms of democracy and the destructive belief that global rules could be remade to bend toward social justice.

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If the idea of "one world" had a moment at the end of the Second World War, it had a decade in the 1970s. Visions and models of the world economy exploded in expert circles and public culture. The "blue marble" photograph of the whole earth from outer space, first available in 1968, was a symbol of the first Earth Day in 1970 and eventually became one of the most reproduced images of all time.[225] In a 1965 Geneva speech, the U.S. ambassador to the United Nations, Adlai Stevenson, coined a metaphor that would echo through the following decade. He envisioned earth's inhabitants as "passengers on a little space ship, dependent on its vulnerable reserves of air and soil; all committed for our safety to its security and peace; preserved from annihilation only by the care, the work, and I will say, the love we give our fragile craft."[226] The earth was decentered by the "awful majesty of outer space," drawing attention to the precarity of human existence and the need for global cooperation to ensure species survival.[227]

In the 1970s the exact dimensions and capacities of the "fragile craft" were turned into numbers and forecasts by the application of new technologies. As one UN official put it in 1976, "global models need no justification except that they are a natural and inevitable product of the age of the computer."[228] Econometricians threw their weight behind the

demands of the G-77 nations for a NIEO in the 1970s. The efforts of global reformists to give scientific authority to projects of international redistribution culminated in the 1980 "North-South" report of the commission led by former West German chancellor Willy Brandt subtitled "A Program for Survival."[229] Through knowledge, plans—and computers—they argued, Spaceship Earth could be made a more socially just vessel.

The rise of planetary consciousness and the endeavor of left-wing economists to collaborate with Global South leaders has begun to find its historians. Less well-known is the story told in these pages of the neoliberal opposition to efforts at NIEO and computer-aided global reformism. This chapter has presented a telling fact: At the very moment when a faction of the world expert community argued that the world economy could be seen, a countermovement of neoliberals insisted that it was invisible and beyond representation. Hayek's Nobel speech about the "pretense of knowledge" and his insistence on the unknowability of the world economy underpinned the efforts of GATT reformers to introduce the "rule of law" at the global level. In so doing, they relied on a vision of the world economy without numbers. The global economy of Spaceship Earth—a domain of volumes, quantities, and disparities—vanished to make way for a Hayekian world economy of signals.

Neoliberals said yes to the nation as long as there was a larger institutional framework that would have what Hayek called the "powers to say no." When nations said no to such supranational arrangements, they became "economic nationalists" and moved beyond the pale. To neoliberals, the internationalist NIEO was an attack on internationalism itself. In the Geneva School view, the nation must recognize the precondition of its placement within global institutions and legal arrangements—and that placement consisted largely of a system of constraints. The NIEO looked like a further turn of the screw to break the bonds of neocolonialism and carry out what Petersmann described as "economic decolonization."[230] It was a monster hatched from neoliberal nightmares: a Jacobinism gone global, a trade unionism gone global, an egalitarianism gone global, derisive of the institutions of private property. *Pacta sunt servanda,* the minimum standard of treatment, the commandments of transnational economic law, were norms without weight, swept aside in the 1974 pronouncements.

At a deeper level the NIEO represented the threat of what Hayek called "constructivism." It did not take seriously enough the importance of instinctive action and the cybernetic insight that order required a neutral and uniform framework of rules for equilibrium to prevail. As mentioned earlier, Hayek saw the real danger not in the rule of the jungle but in the rule of the engineers. The NIEO in this sense was not a spasm of tribalism but a periodic upsurge of rationalist sentiment—not "mau-mauing" the West, as Irving Kristol famously put it, but Saint-Simoning the West.[231] It was hubris and overestimation of the power of the human capacity to redesign international law by fiat. The framework for reflexive action had to be defended against the campaigns of rational action.

One scholar argues that "in the 1970s noises off stage about a New International Economic Order could be faintly heard in Geneva."[232] For Geneva School neoliberals, the sounds were far from faint. Indeed, they defined their counterprogram against the strident demands of the Global South. The danger of Global South mobilization after the end of empire was that the will of the majority could become a new norm, even against the desires of the entrenched powers. The NIEO presented the prospect of a continuation and perhaps a completion of the process that dissolution of European overseas empires had begun: the fear was of the scandalous prospect of a decolonization of international law. The lack of "order" in the NIEO was a problem to be corrected by beating back the encroachment of the UN on international legal practice and the establishment of binding arbitration and adjudication, including the dispute settlement mechanisms that Roessler and Petersmann would help design for the WTO. Against the attempt of the G-77 to use law for their own purposes, the Geneva School fought to reclaim law as an enforcer of private property and competition. The neoliberal program in the 1970s was not about growth, equilibrium, optimum, equality, social justice, or prosperity. It was about the reproduction of an interdependent complex system—the defense of the totality of the world economy against an assault from nationalists that threatened to be as much of a catastrophe as the 1930s.

By the end of the 1970s, there was a Geneva School consensus in the primary international institution devoted to governing trade, the GATT, that "distortions" of the price system were not economic problems but political problems. Beginning in 1977 these were seen as best solved through

processes of constitutionalization modeled on the multitiered structure of the European Community. If Hayek "frequently uses machines to illustrate his theory of mind," as one scholar observes, Geneva School neoliberals used Hayek's theory of mind to illustrate world economic order.[233] Hayek's inability or unwillingness to engage with mathematics and statistics kept him off the main road taken by economists inspired by cybernetics and systems analysis.[234] In Geneva School neoliberalism, we find Hayek's influence not in the field of economics but in the field of law. By calibrating human institutions to offer minimal resistance to the movement of the price signal, the world economy could, to use neoliberals' terms, be turned into a model of stratified order with global systems and national and regional subsystems operating in tandem to permit the smooth transmission of information and ensure predictability in commercial transactions. A GATT publication coauthored by Tumlir bore its cybernetic bona fides in 1978 when it called for the "framework of laws and policies which makes the market an effective signaling device and which allows the economy to be guided by those signals."[235] In place of the national autonomy under an NIEO and its demands for redistribution, the Geneva School offered a vision of isonomy—one law for the world economy that did not distinguish between historically poorer and richer populations or countries.

The discussions in Geneva in the 1970s and 1980s revived those of Hayek and Robbins in the 1930s. At both moments, the neoliberal vision of federation held that national independence was acceptable as long as the totality held. "Internationalism" had to prevail with respect to commercial treaties, sanctity of contract, and property. If free nations remained snug within the bonds of world economic order, then decolonization presented no problems. Indeed, the proliferation of formally sovereign territories could even be useful by multiplying the jurisdictions for investment and innovation, leading to pressure on states to create attractive climates for capital. As Tumlir said in his talk given for Hayek's birthday: "The economist sees the world of many sovereign countries as a competitive market for political ideas."[236] "Firms, and also sovereign nations, continue to learn from each other's mistakes," he noted. "This, Hayek suggests, has been the main source of progress of mankind originally structured into groups incomprehensible to each other by language and ritual."[237] What

latter-day critics have dubbed the "competition state" was conceived in the neoliberal world as a node of imitative learning in a Hayekian network.[238]

Neoliberals welcomed flux as the necessary condition of a world ruled by the superior, if opaque, wisdom of the market. Order was not a steady state but an adjustment, an often painful process of learning. This was a doctrine of structural adjustment, but more to the point it was one of *perpetual* adjustment. Fine-tuning of the trade rules of the multilevel system was necessary to allow the signals to move smoothly, thus creating the conditions for the supple and eternal contortion of individual economic actors to the messages of the market.

Conclusion

A World of People without a People

If we ask what men most owe to the moral practices of those who are called capitalists the answer is: their very lives.

—FRIEDRICH A. HAYEK, 1989

Two years after the fall of the Berlin Wall and one month short of the official dissolution of the Soviet Union, George H. W. Bush granted a Presidential Medal of Freedom to Wilhelm Röpke's correspondent and the defender of racial segregation in the U.S. South, William F. Buckley. Buckley had "raised the level of political debate in this country," Bush claimed. Without irony, he followed by granting a medal to a civil rights leader. The last medal of the day was offered to the ninety-two-year-old F. A. Hayek. "We honor" Hayek, Bush said, "for a lifetime of looking beyond the horizon. At a time when many saw socialism as ordained by history, he foresaw freedom's triumph.… Professor von Hayek is revered by the free people of Central and Eastern Europe as a true visionary, and recognized worldwide as a revolutionary in intellectual and political thought. How magnificent it must be for him to witness his ideas validated before the eyes of the world."[1] In another irony on a day already rich with them, the man who saw his central discovery to be the fundamental unknowability of the world, the future, and the human mind was now being honored for his near-mystical foresight.

The implicit Cold War triumphalism of Bush's speech was also ironic considering how little the Cold War meant to Hayek. In his voluminous

writings, the conflict scarcely appears. In one telling exception, he referred in 1979 to American foreign aid, which was "subsidizing on a large scale the socialist experiments of underdeveloped countries" because of a "silly competition with Russia."[2] An even more telling quote comes from his book *The Constitution of Liberty,* where he wrote: "While superficially it may seem that two types of civilization are today competing for the allegiance of the people of the world, the fact is that the promise they offer to the masses, the advantages they hold out to them, are essentially the same."[3] Both sides wanted prosperity and they wanted the state's help to redistribute it. "With the knowledge of possibilities spreading faster than the material benefits," Hayek wrote, "a great part of the people of the world are today dissatisfied as never before and are determined to take what they regard as their rights. As their strength grows, they will become able to extort such a redistribution."[4] Of course, the means the people of the world would use to "extort" redistribution would be democracy, and the way their strength would grow was through decolonization. In the neoliberal century, the Cold War was a sideshow to the main event of the rise of mass enfranchisement and the end of empire.

Hayek dedicated *The Constitution of Liberty* to "the unknown civilization that is growing in America." What were the parameters of the unknown civilization envisaged by the neoliberals described in these pages? It was necessarily global, designed with institutions to contain potential disruptions from the democratically empowered masses. It was a world without empires but with rules set by supranational bodies operating beyond the reach of any electorate. It was a world where the global economy was safely protected from the demands of redistributive equality and social justice. My narrative has traced a line that leads from the end of the Habsburg Empire to the foundation of the World Trade Organization. In the leading neoliberal journal *Ordo,* on the eve of the fall of the Berlin Wall, Röpke's nephew Hans Willgerodt offered a fine summation of the century of ordoglobalism. After citing Hayek and Robbins's writings from the 1930s, he wrote that "as witnesses of the international declaration of bankruptcy by communism," it was time that nation-states realized they had "made too much use of their sovereignty."[5] He wrote that the nineteenth century had achieved "world economic integration" through a "fundamental depoliticization of the economic domain."[6] Quoting Röpke from 1952, he

echoed Röpke's sentiment that if "the developing countries are granted by the UN a right to expropriate foreign property, this means, when they make use of such a 'right,' they not only detach themselves from the world-economic market … but [take themselves] out of the international legal community of the civilized nations."[7]

For the road to world economic integration, Willgerodt looked both ahead and back: "The path to the liberation of the world market from national regulation and trade barriers can be facilitated by institutions like GATT [General Agreement on Tariffs and Trade]."[8] But he also invoked the old template of Hayek and Mises: Central European empire: "The international rule of law with curbed application of sovereignty is doubtless a difficult and unfamiliar idea for the proponents of centralist national states. The state must first forego authority over its citizens. It must also share its sovereignty downward with federal structures and bind itself upward within an international legal community. No doubt the international order is moving in this direction. It is in this context that the distorted judgment about the order of the long-lived Holy Roman Empire must be taken up again."[9] Such literal nostalgia for empire was rare. Another notable exception, though, was Mont Pèlerin Society (MPS) president Deepak Lal, who, inspired by the U.S. invasion of Afghanistan and Iraq in the name of liberal democracy, wrote a paean to empire in 2004 for its ability to bring order, institute the rule of law, and "quell ethnic conflicts."[10] He began by eulogizing the Habsburg Empire, condemning "the great deterioration of opportunities that has befallen the average citizen of the successor states."[11]

Most neoliberals, however, acknowledged that the era of the nation was irreversible. They dreamt of decolonization without the destructive desire for economic autonomy displayed by the very successor states of East Central Europe that Lal cited. This book has told stories of the neoliberal fix from the 1920s to the 1990s as institutional attempts to defend the world economy against democracy and nationalism. For Hayek, Robbins, and Mises, this meant blueprints for international federations of double government, granting political independence while preserving the reign of competition. For Heilperin, it was in the failed universal code of investment with its attempt to place law beyond the state. For Röpke and Hutt, it was forms of apartheid and weighted franchise. For Mestmäcker, it was the Treaty of Rome and the competition law that followed it. For Tumlir and

Petersmann, it was the GATT reformed with a jurisdiction that reached into domestic states.

I have argued that the turn to law was the most important reorientation of German-speaking neoliberalism after the Second World War. What I have called ordoglobalism helped produce an understanding of the European Economic Community (EEC) and later the World Trade Organization (WTO) as apparatuses of juridical power to encase markets beyond democratic accountability even as it sought to create legitimacy through offering direct private rights to citizens beyond the nation. It is notable that, in the shift of ordoliberal attention to the global or international scale, their much-vaunted inclusion of aspects of the distributive state disappears.[12] Institutions like the International Labour Organization (ILO) that made workers' rights and social justice part of their mandate became the enemy again.[13] At the exact same time that Röpke was envisioning a progressive income tax and diffusion of private property within the nation, he was prescribing an international order of constraints.[14] Among other things, this shows again that the "social" in the social market economy might be seen more as a tactically necessary concession to the strength of organized labor and socialist sentiment in postwar West Germany than as an indication of a core aspect of their philosophy.[15] Beyond the nation—where the levers of democracy and organized labor are weaker—the language of the social disappeared, and only the rules remained.

Scholars have given various names to the neoliberal fix. One calls it the "constitutional protection of capitalism."[16] Another calls it the "Hayekian economic constitution" aimed at the "immunization of expanding capitalist markets against egalitarian-interventionist democratic politics."[17] In an influential coinage, Stephen Gill calls it the "New Constitutionalism" striving to "allow dominant economic forces to be increasingly insulated from democratic rule and popular accountability."[18] As summarized by scholars, this constitutionalization "establishes a worldwide institutional grid that offers transnational capital multiple exit options."[19]

Others have written the history of the neoliberal fix in different ways. One scholar writes of the "nonmajoritarian" models of governance in port authorities and the idea of central bank independence.[20] Still others have seen this strain in the European Central Bank and the governance structure of the European Union.[21] Other scholars have described the creation of an

"offshore world" of tax havens through which nations compete to offer the least possible corporate tax, the greatest possible secrecy, and the best incentives for individuals and corporations to flee the clutches of their own redistributive states.[22] Discussions in the 1990s and beyond have been dominated by "locational competition" and the idea of "policy competition."[23] At the root of the neoliberal idea of international order is the notion of so-called competitive federalism, with the possibility of capital following opportunities across borders wherever they arise. In an exploration of neoliberal federalism, one scholar notes that the American Enterprise Institute set up a Federalism Project in 2000, pursuing Buchanan's proposals from the 1990s to preserve "an effective exit option in market relationships."[24] An AEI resident scholar explained the vision of the project: "A world without borders is a world without exits. We need the exits."[25] These imaginaries are far from the borderless world or zero-state society in which neoliberals purportedly believed.[26] What has been described in these pages is much less easy to dismiss as a fanciful delusion. More realistic and, at least in theory, more realizable, is ordoglobalism's vision of a doubled world: divided and encased between imperium and dominium.

My narrative has pointed to a paradox at the heart of Hayek's thought and what I have called Geneva School neoliberalism. On the one hand, the world economy had to be defended against the excesses of democracy. On the other hand, the world economy itself was invisible and beyond reason and representation. Hayek was explicit when he wrote that "the only appropriate word" for the global market, or what he calls "the extended order," is "transcendent." In "its literal meaning," the world market "far surpasses the reach of our understanding, wishes and purposes, and our sense perceptions, and that which incorporates and generates knowledge which no individual brain, or any single organization, could possess or invent."[27] This sacred understanding of the world economy is not limited to Hayek. The word *Ordo,* in the title of the most important journal of neoliberalism, and from which the ordoliberals take their name, comes from medieval theology.[28] Hayek referred to St. Augustine's dialogues as the starting point for the concept of order.[29] In these discussions, Augustine notes that the extraordinary complexity of the universe is literally incomprehensible by any one individual. He describes not only the

inevitable sense of powerlessness that humans feel in the face of this larger order but also the distortions that come from our individual and subjective perspective. "The situation," he wrote, "is akin to that of one who, confined to surveying a single section of a mosaic floor, looked at it too closely and then blamed the artisan for being ignorant of order and composition." The apparent disorder of the part is actually an artifact of the limited perspective of the viewer, who "failed to notice the larger mosaic world" that "comes together into the unity of a beautiful portrait." The individual striving for a more synoptic perspective always runs the risk of misidentifying disorder for its opposite—and vice versa. He wrote that "unable to grasp the harmony and interaction of the universe as a whole, and hurt by what is beyond their ken, such people rashly conclude that things are inherently ugly and disorderly."[30]

Augustine suggests a counterintuitive mode of observation. The viewer must guard against being deceived by a part misrepresenting the whole. There is a call here for the potential of inverse observation: that which appears as order may in fact be disorder; and that which appears as disorder may in fact be order. It was a common neoliberal critique of socialism that they failed to see the greater order. As Franz Böhm put it in an article on "the idea of Ordo," socialist thinkers "refused to catch sight of an order at all in the competitive economy, only saw anarchy and chaos, and denied the existence of any laws in it except the law of the jungle."[31] My narrative has shown that Geneva School neoliberalism is less a theory of the market or of economics than of law and the state. Ordoglobalism can be thought of as a negative theology, contending that the world economy is sublime and ineffable.

Rather than the economism of which they are sometimes accused—in the sense of seeing the economy as machine-like, autonomous, and capable of producing certain desired outcomes—Geneva School neoliberals saw the economy as cosmic, encased in legal and political institutions, and always in an open-ended process of becoming. Hayek scoffed at the use of mathematics in macroeconomics to "impress politicians … which is the nearest thing to the practice of magic that occurs among professional economists."[32] He said that he always felt he should have written a critique of Milton Friedman's *Essays in Positive Economics,* "every bit as dangerous as that of Keynes."[33] Unlike the Chicago School, the Geneva

School opposed the mathematization of economics and thus foreclosed the possibility of extensive forecasting and modeling of the economy. It rejected both rational expectations and perfect competition and held the claim of determining "efficiency" or "optimal" outcomes to be both quixotic and hubristic. In recent years Petersmann has even laid the blame for the financial crisis of 2008 at the feet of the "efficient markets hypothesis" of the Chicago School that "market prices reflect all relevant information."[34] As represented by Petersmann's own advocacy for the WTO as a "worldwide economic constitution," what I call the Geneva School combined the Austrian emphasis on the limits of knowledge and the global scale with the German ordoliberal emphasis on institutions and the moment of the political decision.[35]

To disavow the existence or visibility of "economies" themselves intentionally makes projects of social justice, equality, or redistribution unthinkable. But it does not make power disappear. It is sometimes claimed that the main sleight of hand for neoliberals is to hide the state, but even a cursory reading of the main theorists shows that a positive vision for the state is everywhere. The main thing the Geneva School neoliberals hide is not the state but asymmetries of power. Indeed, the invocation of complexity and unknowability is a useful practice of government. After the global financial crisis, German finance minister Wolfgang Schäuble said, "We have learned from Friedrich August von Hayek … that society and the economy are not machines. Anyone who believes it is possible to acquire comprehensive knowledge enabling him to control events has no knowledge, but only a pretense of knowledge."[36] Contrary to the notion of our present-day knowledge society, scholars have noted, it is professions of ignorance and unknowability that are most helpful in exonerating those putatively responsible for global systemic risk, as, for example, in the world of finance.[37]

Not knowing the totality while knowing the rules needed to maintain it is the essence of the Geneva School variety of neoliberalism described in this book. As the example of Schäuble's subsequent conduct in the Eurozone crisis showed, conceding the unknowability of the economy does not mean a willingness to exercise pragmatic open-mindedness or arrive at new management strategies through negotiation and compromise among diverse constituencies. Instead it meant an even more rigid tendency to

default to the principle and the rule. Accepting the economy as an internal limit to government means inflexible adherence to the laws seen as necessary to encase the unknowable economy itself.

Looking back at the century, one notes that it was at points when there was an attempt at comprehensive oversight over the economy that neoliberals mobilized most directly. The two most prominent were in the 1930s and 1970s—both moments at the end of empire. In the 1930s neoliberals mobilized against planning at the national level and the belief that the economy could be seen and directed without a harmonized global framework. In the 1970s they criticized computer-aided reformists who sought to see the world economy as a whole. Scholars have pointed out the irony that it was at the exact moment that the world's majority of nonwhite people claimed legal equality through decolonization that influential branches of social science concluded that the individual did not exist.[38] We have seen something similar here: at the moment of the assertion of autonomy, the response of neoliberals was to assert individualism—but even more so, systemic interdependence that negated the possibility of national or regional action with a logic inconsistent with the dictates of free movement of capital and goods.

In the neoliberal vision of world order, the world economy exercises discipline on individual nations through the perpetual threat of crisis, the flight of investment that punishes expansion in social policy, and speculative attacks on currencies in reaction to increases in government spending. The competition for citizens between states remains a lasting vision. What my narrative has shown is that the declared project of liberating the market was also one of institutional design. As Petersmann put it, "Rules do not enforce themselves."[39] The Hayekian disavowal of design does not transform his proposals into anything other than precisely that. Even understood as an information processor and a self-organizing system, the world economy requires intervention to calibrate the rules. Röpke's demand from 1942 is an enduring one: "If we desire a free market, the framework of conditions, rules and institutions must be all the stronger and more inflexible. Laissez-faire—yes, but within a framework laid down by a permanent and clear-sighted market police in the widest sense of this word."[40] The moral force for an important school of the neoliberal movement came from the commitment to protect the complex and even

unknowable interdependence of the global trading system through the identification of—even creation of—a market police cut to the dimensions of the world.

The essence of Geneva School neoliberalism can be summarized in a series of points. These are meant not as commandments but as propositions. Although one could split hairs by pointing to variations, they offer a basic consensus shared by the intellectuals at the core of this book:

1. There is no perfect market because no knowledge is perfect. The sublime status of the economy means that only a "thin layer" of rules can be the objects of human design.
2. Globalism trumps nationalism. Only capitalism is internationalist; socialism is always nationalist.
3. World economic order depends on the protection of dominium (the rule of property) against the overreach of imperium (the rule of states).
4. Consumer sovereignty trumps national sovereignty. The public / private distinction is more important than the foreign / domestic.
5. World law trumps a world state. International institutions should act as mechanisms for protecting and furthering competition without offering spaces for popular claims-making.
6. Democracy is a potential threat to the functioning of the market order. Therefore, safeguards against the disruptive capacity of democracy are necessary.
7. Democracy's danger is its legitimation of demands for redistribution. All world economic problems are rooted in domestic distribution struggles.
8. Laws are grown, not made. Adjudication by judges and scholars is preferable to legislation created by parliaments.
9. Isonomy (same law) trumps autonomy (own law). Humans follow rules by nature. Therefore, rules-as-regularities must be protected by rules-as-regulation.
10. Law must ensure predictability as a guide to future human action. Specifically, it must protect the role of prices in transmitting knowledge about the future.

11. Rules create the conditions for global feedback mechanisms of human action and the framework for the spontaneous order of the market.
12. Humans respond to knowledge, much of it unconscious. Central to that knowledge is the prohibition, the rule that says no. Thus, the role of international institutions is primarily negative.
13. Integration is also primarily negative, devoted to the removal of barriers between territories. Yet the project of negative integration is itself an active and ongoing undertaking. Institutions are required to keep this process functioning smoothly.
14. Trade over borders must be enshrined in legal code and is required for the coalescence of the overall order.
15. Integration is not the creation of something new but the restoration of something lost.

This book has told the story of the emergence of neoliberalism along the fault line of Global North and Global South through the genealogy of the Geneva School, whose solution to the end of empire was to promulgate one law for the world economy. Reflecting back as an elderly man in 1984 on the founding of the MPS, Hayek did not use the high-flown language of foresight that Bush would in granting him the Medal of Freedom. Instead he said that his goal in 1947 had been "to form an international association" to discuss "the problems of constitutional constraints on government."[41] In the metaphor to which he frequently returned, the goal was to tie the Ulysses of the democratic postcolonial state to the mast of the world economy through frameworks of government and law.

SEATTLE AND THE FIX FROM BELOW

It is a great irony that ordoglobalism entered a crisis at nearly the precise moment of its most significant victory. The transformation of the GATT into the WTO was the crowning moment in the twentieth century for the Geneva School. This was true despite the fact that the creation of the institution was the outcome, not of their superior intellectual vision or powers of political persuasion, but of the brute economic interests of the

world's leading power, the United States. Competition from emerging economies in its traditionally strong sectors of manufacturing, and a fear that the U.S. advantage in entertainment, pharmaceuticals, and software would be bootlegged and imitated away, led the United States to cajole, pressure, and intimidate the world's countries to agree to an arrangement that clearly favored the hegemon.[42] Yet whatever the conditions were for the realization of the WTO, Geneva School neoliberals could rightly celebrate having put their stamp on the details of its structure. In the ways outlined in these pages, the world trading system under the WTO scaled up the rules and institutions governing Europe to the global scale.

Six months before 123 nations signed the agreement to create the WTO, its future director, Peter Sutherland, gave credence to this claim when he delivered the Third Hayek Memorial Lecture at the Institute of Economic Affairs in London. The drafters of the WTO, he said, "drew on two of Hayek's key insights—the role of the price system in conveying information and the importance of the rule of law."[43] Sutherland was the perfect spokesperson for the Hayekian message. An Irishman trained as a lawyer, he took the position as European competition commissioner from 1984 to 1988 because he saw that competition law was the most powerful tool available for federal European integration. His activism earned him the nickname "the sheriff" from Jacques Delors, because he used competition law aggressively to liberalize trade within the European Community and bring individual nations to the European Court of Justice.[44] One scholar calls him the "embodiment of neoliberal ideas in the European Commission" as he used the European Court of Justice to end state funding of national industries and ramp up competition.[45]

Hayek's normative vision of the rule of law contained the features of a means of enforcement, judicial review, and isonomy. Sutherland could point to the Appellate Body as a mechanism of enforcement, the individual trading rights protected for intellectual property under the terms of the WTO Agreement, and the isonomy produced by the subjection of all nations —including those of the Global South—to trade disciplines. Sutherland's invocation of the price system connected to Hayek's belief in the world economy as a giant depository of knowledge to be accessed through the information of price signals. Hayek's argument for free trade and free movement of capital was about tapping the knowledge of the world's

inhabitants. As Hayek put it at the end of his 1979 trilogy: "If we are to make use of the distinct factual knowledge of the individuals inhabiting different locations on this world, we must allow them to be told by the impersonal signals of the market how they had best use them in their own as well as in the general interest."[46] The philosophy behind the WTO reflected a Hayekian belief in the organization as the guardian of the cybernetic legal order, ensuring unimpeded transmission of price signals across the strata of nested spaces of regulation.

From this perspective the WTO looked like a triumph, offering the rule of law and calibrating the circuitry of the price mechanism to allow for ever more precise reception of information. Yet even as Hayek praised information of prices, he also conceded that knowledge was dangerous. It could imperil the system. As he put it in *The Constitution of Liberty,* it was the global spread of the "knowledge of possibilities" that required a countermovement to lock in policies of competition and perpetual adjustment. Hayek had made clear since the 1930s that two necessities for global capitalism were the invisibility and the anonymity of the world economy. The WTO transgressed those rules. Indeed, just four years after it began its work, it was the spread of knowledge *about* the organization led to a shutdown engineered from below.[47]

In 1999, massive protests led to the cancellation of the meeting of the WTO in Seattle. In a lecture series devoted to Jan Tumlir, Sutherland called Seattle a "watershed for the institution" that created "a fundamental deficit in effective political support for the WTO system." "Seattle created a generation and a legion of WTO-haters," he said, "and they have votes."[48] Martin Wolf noted in the same lecture series, "As decision-makers transformed the size, economic scope, impact and legal potency of the trading system, they also increased its political visibility. What had previously been the play thing of a limited group of highly knowledgeable policy-makers and technocrats has become the focus of fierce pressure from a wide range of non-governmental organisations." The old foe of "majoritarianism" returned as people claimed "that the present inter-governmental arrangement is 'undemocratic.' "[49]

Scholars realized only later, some ruefully, that global economic governance may have worked best when it was performed in an ad hoc, backroom manner, through negotiation, with many exit options, rather than

through legalization.[50] Making the rules consistent at a global scale was such a necessarily large undertaking that the public could not help but notice. When they did, they asked why so many decisions were being made in their name with so little of their input. The very attempt to depoliticize international economic relations ended up requiring a highly visible project that could not help but make itself the object of political controversy. This was one of the core problems of the neoliberal fix that Mestmäcker was one of the few to see clearly. It was by appealing to Schmitt that he perceived the necessarily political nature of depoliticization and did not fall for the empirically falsifiable idea that simply relegating certain matters to the "rule of law" would somehow raise them permanently above the possibility of popular contestation. To deny the possibility of politics in the WTO in the interest of a notion of the guardians of the constitution of the world economy did not actually banish politics, it merely offered no frame of reference when actions like the Seattle protests did erupt. People will use their voice, it seemed, even—or especially—if no nameplate or microphone is provided.[51]

Some scholars argue that the most enduring challenge for the WTO and other efforts at encasing global markets has been the absence of a demos for the world economy.[52] Yet to look for a demos in the world economy is to pose the question wrong. It is also to commit a category error. As my narrative has shown, liberals and later neoliberals thought of the space of the world economy through the twentieth century as being a space separate from that of representative government. The many variations of the neoliberal fix were designed in the spirit, not of "undoing the demos" per se, but of sequestering and leashing it, penning it into prescribed areas.[53] If the world economy did not have a demos, this was precisely the point. It was a world of people but a world without a people.

Eager to reframe the institution after Seattle, the director-general Mike Moore declared, "We've got to get this fuckin' show back on the road.… We've got to rebrand!"[54] The subsequent trade round, still not completed, was dubbed the "Doha Development Round" in what participants later conceded was a blatant act of public relations. The new brand was given another name when Pascal Lamy used the term "the Geneva Consensus" for the first time in 2005 during his successful campaign for director general of the WTO.[55] He was working from his experience as the EU trade

commissioner and, true to the spirit of ordoglobalism, contended that "the building of Europe is in fact the most ambitious experiment in supranational governance ever attempted" and that, as "a laboratory," "the European experience … offers interesting avenues for the global level."[56] Lamy claimed that the Geneva Consensus, against the Washington Consensus that it putatively replaced, would be dedicated to "humanizing globalization and establishing further justice and equity."[57] Like the IMF, which began to pay lip service to poverty reduction while continuing to focus on the old key issues of cutting public budgets, the WTO sought to add new rhetoric without changing the basic structure of the organization.[58]

Seattle was an existential crisis for ordoglobalism. It brought the sublime world economy down to earth. The prospect of a popular rejection of the encasement of markets has always posed a problem for neoliberal thought. Many critics have noted that the turn to an authoritarian solution always seems close at hand, with Hayek and Friedman's visits to Augusto Pinochet's Chile being exhibit A. Referring to Pinochet, Hayek said he would "prefer a liberal dictator to a democratic government lacking liberalism" and that "it is possible for a dictator to govern in a liberal way"—while qualifying that this should be only a "temporary transitional arrangement."[59] Hayek's statements recalled both Röpke's discussion of "dictatorial democracy" in 1940 and Mises's point in 1927 that Italian "fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history."[60] Following the logic of the lesser evil, the suppression of a disruptive force from the left periodically made support for dictators thinkable for some neoliberals. Mises wrote in 1922, "Our whole civilization rests on the fact that men have always succeeded in beating off the attack of the re-distributors."[61]

The leading thinkers of the Geneva School after the assault on the WTO took neither the Pinochet option nor the recourse to a "liberal dictator" in their theorizing. Rather, they turned to the language of Pinochet's most effective opponents: that of human rights. The response of Geneva School neoliberals was one of co-optation and redefinition. With echoes of Philip Cortney's postwar calls for the human right of capital flight, they doubled down on the very language of human rights scorned by Hayek to buttress

their project. This book has shown that the recasting of trading rights, market rights, and capital rights as *individual* rights was proposed by the International Chamber of Commerce (ICC) and neoliberals against the United Nations' idea of social and economic rights around 1945, incorporated as the market freedoms and market citizens of the European integration project in the 1950s and 1960s, and scaled up to the WTO in the course of GATT reform in the 1970s and 1980s. After Seattle, Ernst-Ulrich Petersmann became the most visible and vocal spokesperson for yet another renovation of liberalism with human rights at its core. In a flood of publications, he propagated the idea of a normative world economic order built of stratified institutions protecting the individual right to trade and move capital. Thrust into the public eye, the project of neoliberal federalism was reimagined as one of protecting universal human rights.

It is a revealing irony that Petersmann was a critic of the language of rights in the hands of the Global South in the G-77 and advocated rights only when redefined as free movement of capital and goods, especially in the context of European integration. One can track a similarly instrumental change in his tone after Seattle. In the last article he published before the protests—based in part on his consulting for the government of Hong Kong—Petersmann's key term was "competition." Citing Hayek three times, he denounced the absence of competition laws in less developed countries and called for " 'competition advocacy' within the WTO … and promoting a 'competition and entrepreneurship culture' in the WTO."[62] His first article after Seattle was framed very differently. It was titled "Time for Mainstreaming Human Rights into WTO Law."[63] Writing as a professor at the Graduate Institute of International Studies in Geneva, he wrote that the "failure of the WTO's ministerial conference at Seattle and the 'Seattle Tea Party' by violent protesters against world trade based on WTO rules, have been described as a 'wake up call' for trade diplomats who need to explain more convincingly the legitimacy and 'human rights functions' of WTO rules to domestic citizens."[64] This statement was presented in the *Journal of International Economic Law,* a publication launched in 1998 in the wake of the apparent victory of the WTO. In the journal's first issue, Petersmann had praised the "constitutional functions" of the WTO in promoting the "international rule of law," including centrally "private intellectual property rights … as basic individual rights."[65] His description of Seattle as a "wake

up call" just two years later suggests the seriousness of the challenge to the Geneva School imagination.

After Seattle, a term appeared in Petersmann's writings that was previously almost entirely absent: "legitimacy." He responded directly to the protest, saying that "in the now regular street demonstrations at the ministerial conferences of the IMF, the World Bank and WTO, citizens are reminding governments of the need to adjust the state-centered traditional international law and international organizations to their human rights and to the emerging 'right to democracy.' "[66] He effectively agreed with the protesters but went on to interpret their language of human rights in a very particular way. It was truly a scandal, he argued, that UN human rights covenants "offer no effective protection of economic freedoms, property rights and rule of law."[67] Even as he sought to ground WTO in human rights language, he sought to insert economic language into dominant human rights talk. "The traditional disregard in WTO law of human rights is becoming as outdated as the persistent disregard in international human rights instruments for economic liberty and freedom of trade as preconditions for individual welfare."[68]

The agreement that Petersmann had praised in 1997 as a triumph of Hayekian constitutional design was, by 2001, disparaged for the fact that "many national parliaments in WTO member countries ratified the 25,000 pages of the Uruguay Round Agreements within a few hours without proper parliamentary review and transparent discussion."[69] Even though, as he put it, "from a constitutional perspective, the transition from GATT 1947 to the WTO offers an example of a successful 'constitutionalization' of international trade law," it was becoming a failure in practice.[70] The central problem people saw in the WTO was, as other legal scholars see it, "the absence of a legitimate and legitimating purpose."[71] The about-face was fascinating—the very absence of democratic pressures was now being seen as an Achilles' heel of the institution. Democratic legitimacy, it seemed, could not be designed away.

Petersmann's own solution for the legitimacy problem was to ramp up the emphasis on human rights. He claimed human rights as a new frontier for activism: "Following the 'democratic grass-root revolution of 1989,' " he wrote, "economic and legal globalization (including the global integration law of the WTO) offer the possibility for another 'human rights

revolution' in favor of non-discriminatory open markets, global competition and more effective protection of human rights."[72] In an idiosyncratic interpretation, he read the string of revolts in the Arab Spring as part of just such a revolutionary demand for business and market rights.[73] Unlike the earlier form of Geneva School neoliberalism, which often saw the individual as a disruptive political actor, the multilevel constitutionalist version opened the possibility of a positive bottom-up political role for individuals. This is an angle often missed in the denunciations of the WTO as a detached distant bureaucracy and by those seeking to track the mutations of the neoliberal world project. Whereas Hayek had called for the "dethronement of politics," the Geneva School of the year 2000 was talking about a reconfiguration of politics, seeing market citizenship and its claims as the way in which the global system could be knit together from the level of the individual to the world. Petersmann wrote after Seattle, "Citizen participation in consultative WTO bodies and other multi-levelled international governance mechanisms could strengthen the legitimacy and political support for the world trading system."[74]

One scholar notes that "unlike most people, a market can function quite well without being loved."[75] But the exact reverse might be true. Many people persist without love, and experience has shown that some attention to the legitimacy of a given order is necessary for it not to descend into chaos and popular revolt. If not loved, the market needs to be accepted. The importance of the "citizen-centered" aspect is often overlooked by scholars who see the neoliberal constitution "solely as a means to impose limits on state authorities."[76] The positive side of the equation exists—it is the right to trade. One critic called this approach an attempt by Petersmann "to hijack, or more appropriately to Hayek, international human rights law."[77] Petersmann was proposing the possibility of a fix from below.

Yet what does the fix from below look like in practice? The Geneva School idea of individuals reinforcing the legitimacy of the governing structures by appealing above their own nations, or to world law within their nations, has been a path taken largely by corporations only. An inability to pay a team of trade lawyers—whose numbers have grown exponentially since the 1990s—ends up being a bar to entering this form of market citizenship. Far from being detached nomothetes above the possibility of capture by special interests, the negotiators of trade

agreements like the WTO have close and formal relationships with corporate lobbies. The "private sector advisory process" in the United States, for example, comprised over thirty committees, involving nearly one thousand individuals from the private sector, that met regularly to advise the U.S. trade representative on what they needed from the legal architecture of world trade.[78] The actual existing version of the "bottom-up" legitimation described by Petersmann included only a select slice of the world economy's market citizens.

As part of their post-Seattle rebranding, the WTO restored the old paintings that had been covered and removed when the GATT first moved into the offices of the International Labour Organization at the Centre William Rappard in the late 1970s. Murals showing heroic workers in acts of labor and leisure once again saw the light of day.[79] In 2012 Petersmann looked at the building himself and asked why nobody in his sixteen years working at the WTO had commented on the two statues at the entrance—allegorical figures of "peace" and "justice."[80] Unmentioned was the fact, which he would have surely known, that the statues were relics of the days of the ILO. The failure of employees or negotiators to remark on the statues was no mystery. WTO's mandate was not to achieve peace or justice but to lock in liberal trade rules to calibrate multilevel polities and allow for perpetual adjustment in response to price signals. For Petersmann's mentor, Hayek, the only permissible form of justice was procedural justice that treated all participants equally regardless of history. When paired with equity as social justice as in the mandate of the ILO—or in Lamy's Geneva Consensus—justice was worse than a non sequitur. Social justice was a teleocratic demand that paved the way to totalitarianism, and an atavistic spasm sending humanity from the extended order and Great Society back to the "tribal society."[81]

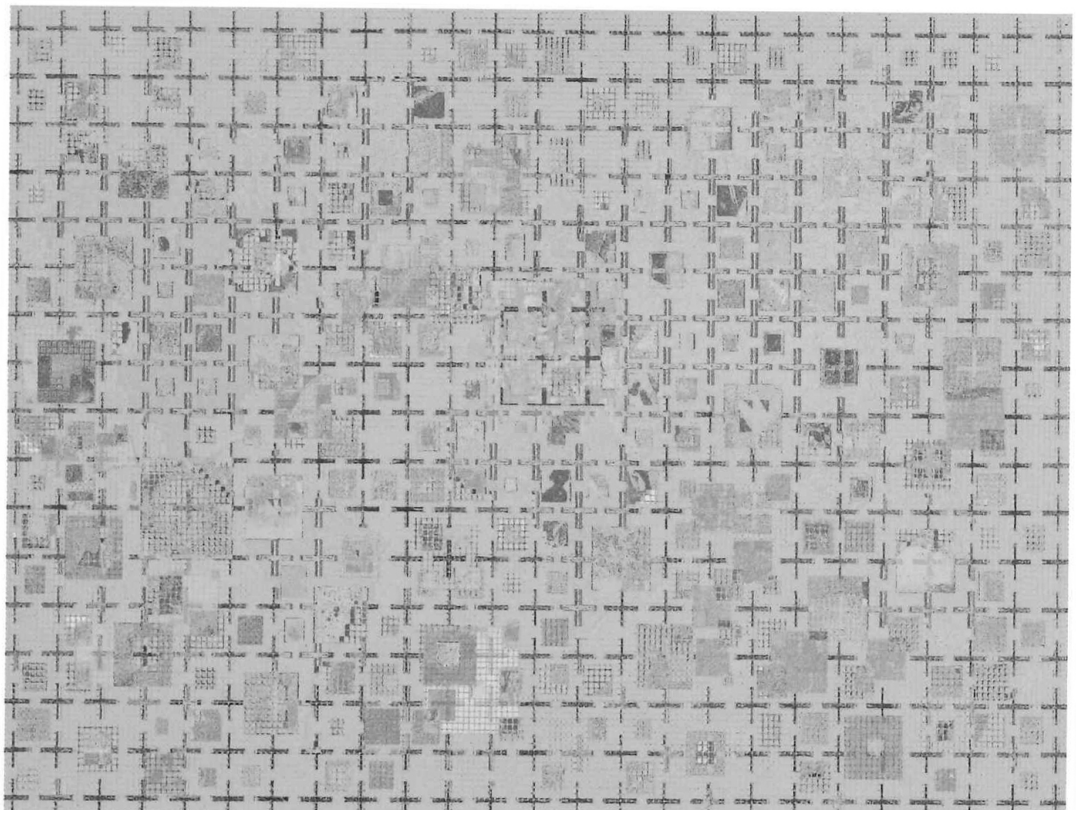
Petersmann's selective reading of history was displayed again in his gloss on the cover of a book he published in 2012. The cover featured Mexican painter Diego Rivera's *Calla Lilly Vendor* (1941), depicting a woman bowed under the weight of a mountain of beautiful white flowers. In the text, he called it an icon of "the freedom to sell in the market place."[82] The fact that Rivera was a card-carrying Communist best known for his workerist murals was no obstacle to Petersmann's misrepresentation of Rivera's work to reinforce his own dedication to market rights as the most

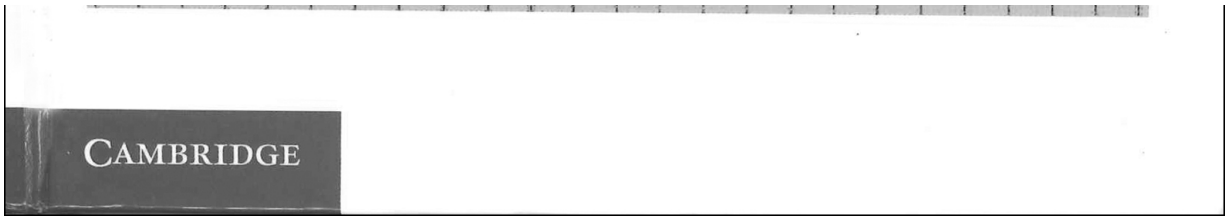
fundamental of human rights.[83] A more fitting choice was made by Lamy for his book on the Geneva Consensus: one of the newer paintings that decorated the WTO's walls, from the *Danaé World Suite, 2001* by Jean-Claude Prêtre. The painting shows a Mercator projection of the world beneath a grid of crosses and flecks of colorful paint. Barely visible underneath are the outlines of the continents. The image suggests something closer to what the institution was built on. Notwithstanding the late conversion to a language of human rights, it is a conception of the world economy at the edges of representation, in a perpetual state of morphing and transformation, encased by a grid of rules.

The Geneva Consensus

MAKING TRADE WORK FOR ALL

Pascal Lamy





The world at the edges of representation. Pascal Lamy, *The Geneva Consensus: Making Trade Work for All* (Cambridge: Cambridge University Press, 2013). Reprinted by permission of the publisher.

Had Petersmann looked across the street from the Centre William Rappard past the ten-foot metal barriers and armed guards, in the traffic circle, he would have seen something that would be more difficult than the Rivera painting to transform from labor into trade. Erected in 1937, the year Hayek published his essay "Economics and Knowledge," Robbins his deplanning manifesto, and Lippmann *The Good Society,* the monument commemorated the ILO's founder, Albert Thomas. The base shows images of work: miners picking at a coalface, fishers at sea, farmers tilling and hauling crops. The four figures on top are a skull-capped Asian man carrying a rice sieve, a hooded indigenous man carrying pelts, a man in worker's apron holding pincers, and a black African man with a hoe. Etched into the plinth are words difficult to spin: "Labor exists above all struggles for competition. It is not a commodity." Small protests assemble here. In 2005 a demonstration of protesters from five continents gathered there and a Brazilian woman gave a speech about the "struggle against capitalism." One of the banners suggested the very world against which the neoliberals had organized: "Building a world of solidarity."[84]

The 1990s were the high point of neoliberal globalism as an institution-building project. In the decade's endless globalization talk, "the world economy" was granted a power beyond any single nation. Politicians grew accustomed to deferring to the world economy to justify cuts to welfare benefits and restructuring. It was convenient to have an extranational disciplinarian to which they could gesture apologetically and shrug as they shaved off another condition of the postwar settlement. Blaming the world economy was a sustainable strategy because the disciplinarian was only one of its two political faces. In its inverse incarnation, the world economy was summoned as a cornucopia of affordable consumer goods irrigated by a stream of cheap credit. The perils of this strategy were made clear only in

the early 2000s and especially after 2008. When the world economy stopped giving, it was left wearing only the mask of the scapegoat. Voters reacted predictably: by voting against it.

One could argue that Geneva School neoliberals ended up being institutional determinists in spite of themselves. Though often claiming a commitment to "liberalism from below" and the need for what Röpke called the humus of cultural values, the most enduring intellectual contribution of these purported "anti-planners" to the twentieth century may have been their blueprints and plans. It may be that Geneva School neoliberals were so busy building crystalline fortresses for the world economy that they failed to heed Mises's advice about reinforcing a mass mentality that would favor global rather than national markets as an absolute good rather than a pragmatic good to be favored or rejected as fortunes changed. They did not plan for the downturn, nor did they ever figure out a way to placate populations cleft by vast gaps of inequality. Luckily for them, the well-being of capitalism does not rely on their interventions, and never had. But if Geneva School neoliberals saw a popular commitment to free-trade globalism as not just one feature of many but the central necessary feature, then they would have reason to worry in the early twenty-first century. These pages have told the story of the long road to the current crisis.

Labor is not a commodity. The monument to the founder of the International Labour Organization in a traffic circle facing the World Trade Organization, Geneva, Switzerland. Photo by the author / Quinn Slobodian.

To diagnose a crisis of neoliberalism is not to suggest that economic inequality has ceased to advance. Nor that the application of market solutions to social problems or the calculation of all human value in monetary terms has ceased, nor that we have witnessed a return to a pattern of redistribution or a turn to Keynesian welfare state ideology. The state absorption of private debt and policies of quantitative easing have not reversed the long-standing realities of "private Keynesianism" that exacerbate the gap between the hyperwealthy and the rest.

Yet the legitimacy crises that have plagued the WTO since its creation suggest that ordoglobalism as a distinct strain of neoliberalism may have overreached. If the goal was to fine-tune the rules to prevent disruptive demands for social justice or redistribution, then victory is nowhere in sight. In a late echo of the activism following the 1958 Haberler Report, emerging countries have created global gridlock by demanding that the United States and Europe live up to their own free-trade rhetoric, thereby using the WTO in ways that the United States itself had not anticipated.[85] Other nations have begun rejecting the bilateral investment treaties designed to lock in xenos rights for foreign investors.[86] One recent book writes of "world trade law after neoliberalism."[87] Demands for evenness, sometimes expressed in inclusionary and sometimes in exclusionary ways, continue to roil the political landscape against all attempts to introduce a formal equality that disavows historically determined real inequality.

Neoliberals criticize socialists for their dream of a world economy without losers, but they had their own dream of a world economy without rule breakers and more importantly without idealistic—or, in their opinion, atavistic—alliances of rule breakers who seek to change the system of incentives, obligations, and rewards. In the mid-2010s, the popular referendum in favor of Brexit and the declining popularity of binding trade legislation suggests that even if the intentions of the neoliberals was to "undo the demos," the demos—for better or for worse—is not undone yet.[88]

NOTES

ACKNOWLEDGMENTS

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Notes

ABBREVIATIONS

CEIP	Carnegie Endowment for International Peace—Centre Européen Records, Rare Book and Manuscript Library, Columbia University Libraries
Davenport Papers	John A. Davenport Papers, Hoover Institution Archives, Stanford University
Haberler Papers	Gottfried Haberler Papers, Harvard University Archives
Hayek Papers	Friedrich A. von Hayek Papers, Hoover Institution Archives, Stanford University
Hayek Papers, Duke	F. A. Hayek Papers, Economists' Papers Archive, Duke University Library
Hutt Papers	William H. Hutt Papers, Hoover Institution Archives, Stanford University
LON	League of Nations Archive, Geneva
Machlup Papers	Fritz Machlup Papers, Hoover Institution Archives, Stanford University
RA	Wilhelm Röpke Archive, Institute for Economic Research, Cologne
Rockefeller Paris records	Rockefeller Foundation records, Rockefeller Archive Center
WWA	Vienna Chamber of Commerce Archive

INTRODUCTION

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40. Kolev, "Neoliberale Leitideen zum Staat," 23.

41. It is worth noting the difference in my definition, which goes beyond simply identifying site of academic employment. E. U. Petersmann, "International Economic Theory and International Economic Law: On the Tasks of a Legal Theory of International Economic Order," in *The Structure and Process of International Law: Essays in Legal Philosophy Doctrine and Theory,* ed. R. St. J. Macdonald and Douglas M. Johnston (The Hague: Martinus Nijhoff, 1983), 237.

42. See Steven M. Teles, *The Rise of the Conservative Legal Movement: The Battle for Control of the Law* (Princeton, NJ: Princeton University Press, 2008).

43. It is notable, for example, that the discussion of federalism in the Virginia School around Buchanan refers largely to relations between U.S. states, whereas the thinkers I profile in my narrative speak of federalism in terms of relations between nations.

44. Carl Schmitt, *The* Nomos *of the Earth in the International Law of the* Jus Publicum Europaeum (New York: Telos Press, 2003), 235.

45. Wilhelm Röpke, "Wirtschaftssystem und internationale Ordnung: Prolegomena," *Ordo* 4 (1951): 277. For a reflection on the modern order as based on a return of the division between dominium and imperium, see Janet McLean, "The Transnational Corporation in History: Lessons for Today?," *Indiana Law Journal* 79 (2003): 373–376.

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47. Ibid., 210–214.

48. See Stefan Kolev, "F. A. Hayek as an Ordo-Liberal," Hamburg Institute of International Economics Research Paper 5-1 (2010); Viktor J. Vanberg, "Friedrich A. Hayek und die Freiburger Schule," *Ordo* 54 (2003): 3–20. For dissenting views, see Keith Tribe, *Strategies of Economic Order: German Economic Discourse, 1750–1950* (New York: Cambridge University Press, 1995), 208; Manuel Wörsdörfer, "Von Hayek and Ordoliberalism on Justice," *Journal of the History of Economic Thought* 35, no. 3 (2013): 309.

49. Wolfgang Streeck makes a similar argument: "Today's post-democratic, or better perhaps: a-democratic, Hayekian capitalism, after the victory, or almost-victory, of neoliberalism, may be regarded as a historically updated version of ordoliberalism." Streeck, "Heller, Schmitt and the Euro," *European Law Journal* 21, no. 3 (May 2015): 365.

50. "Nobel-Prize Winning Economist," oral history interview with F. A. Hayek, Oral History Program, UCLA, 1983, 46, https://archive.org/details/nobelprizewinnin00haye.

51. Vanberg, *The Constitution of Markets*, 88.

52. See Jan-Werner Müller, "Militant Democracy," in *The Oxford Handbook of Comparative Constitutional Law,* ed. Michel Rosenfeld and András Sajó (Oxford: Oxford University Press, 2012), 1253–1269; Udi Greenberg, "Militant Democracy and Human Rights," *New German Critique* 42, no. 3 (November 2015): 169–195.

53. The quote is from SPD head Carlo Schmid, in Jeremy Varon, *Bringing the War Home: The Weather Underground, the Red Army Faction, and Revolutionary Violence in the Sixties and Seventies* (Berkeley: University of California Press, 2004), 277.

54. Wilhelm Röpke, *International Economic Disintegration* (London: William Hodge and Co., 1942), 241.

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56. Jan-Werner Müller, *Contesting Democracy: Political Thought in Twentieth-Century Europe* (New Haven, CT: Yale University Press, 2011), 5.

57. F. A. Hayek, "New Nations and the Problem of Power," *The Listener,* November 10, 1960, 819. For his own statement that this was the first time he had suggested "the reconstruction of the

representative assemblies," see Hayek, *The Political Order,* 192.

58. Hayek, "New Nations," 821.

59. Hayek, *The Political Order,* 149.

60. See Haselbach, *Autoritärer Liberalismus.*

61. See, for instance, the May 2015 special issue of the *European Law Journal* dedicated to Herman Heller's authoritarian liberalism. Bonefeld, "Authoritarian Liberalism"; Joerges, "What Is Left?," 467; Michael A. Wilkinson, "The Specter of Authoritarian Liberalism: Reflections on the Constitutional Crisis of the European Union," *German Law Journal* 14, no. 5 (2013): 527–560.

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3. A WORLD OF FEDERATIONS

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10. Ludwig Mises, "Economic Nationalism and Peaceful Economic Cooperation (1943)," in *Money, Method, and the Market Process,* ed. Richard Ebeling (Norwell, MA: Kluwer Academic Publishers, 1990), 164.

11. Röpke, "Unentwickelte Länder," 102.

12. Ibid., 103. He repeated the same sentiments in a near-reprint of the same article eight years later. Wilhelm Röpke, "Die unentwickelten Länder als wirtschaftliches, soziales und gesellschaftliches Problem," in *Entwicklungsländer, Wahn und Wirklichkeit,* ed. Albert Hunold and Wilhelm Röpke (Zurich: E. Rentsch, 1961), 52.

13. Röpke, "Unentwickelte Länder," 105.

14. Ibid.

15. Wilhelm Röpke, "Die Entwicklungsländer als Partner von Morgen," in *Das Ende der Kolonialzeit und die Welt von morgen,* ed. Ludwig Alsdorf (Stuttgart: Alfred Kröner, 1961), 206.

16. Shula Marks, "Southern Africa," in *The Oxford History of the British Empire,* ed. Judith M. Brown (Oxford: Oxford University Press, 1999), 567.

17. This chapter is based substantively on Quinn Slobodian, "The World Economy and the Color Line: Wilhelm Röpke, Apartheid, and the White Atlantic," *German Historical Institute Bulletin Supplement,* no. 10 (2014): 61–87. For an extended and informative treatment of South Africa and Röpke, published the year after, see Solchany, *Wilhelm Röpke, l'autre Hayek,* 390–404. For works with no mention of South Africa, see Samuel Gregg, *Wilhelm Röpke's Political Economy* (Northampton, MA: Edward Elgar, 2010); Hans Jörg Hennecke, *Wilhelm Röpke: Ein Leben in der Brändung* (Stuttgart: Schäffer-Poeschel Verlag, 2005); Razeen Sally, *Classical Liberalism and International Economic Order: Studies in Theory and Intellectual History* (New York: Routledge, 1998), chap. 7; Sylvia Hanna Skwiercz, *Der Dritte Weg im Denken von Wilhelm Röpke,* 2 vols.

(Würzburg: Creator, 1988); Sara Warneke, *Die europäische Wirtschaftsintegration aus der Perspektive Wilhelm Röpkes* (Stuttgart: Lucius und Lucius, 2013); John Zmirak, *Wilhelm Röpke: Swiss Localist, Global Economist* (Wilmington, DE: ISI Books, 2001).

18. For an illuminating overview of this transatlantic formation, see David Sarias Rodríguez, " 'We Are All Europeans': Toward a Cosmopolitan Understanding of the American Traditionalist Right," in *Transatlantic Social Politics: 1800–Present,* ed. Daniel Scroop and Andrew Heath (New York: Palgrave Macmillan, 2014), 213–234.

19. Fritz Machlup, "Liberalism and the Choice of Freedoms," in *Roads to Freedom: Essays in Honour of Friedrich A. von Hayek,* ed. Erich W. Streissler (London: Routledge and Kegan Paul, 1969), 142.

20. https://mises.org/library/economics-colour-bar; W. H. Hutt to F. A. Hayek, June 21, 1948, Hayek Papers, box 76.

21. W. H. Hutt, *The Economics of the Color Bar* (London: Andre Deutsch, 1964).

22. F. A. Hayek, "Internationaler Rufmord," *Politische Studien,* special issue no. 1 (1978): 45.

23. On the escalation of criticism, see Ryan M. Irwin, *Gordian Knot: Apartheid and the Unmaking of the Liberal World Order* (New York: Oxford University Press, 2012). A Special Committee on Apartheid was formed in the UN in 1963. Roland Burke, *Decolonization and the Evolution of International Human Rights* (Philadelphia: University of Pennsylvania Press, 2010), 60.

24. Thomas Borstelmann, *The Cold War and the Color Line: American Race Relations in the Global Arena* (Cambridge, MA: Harvard University Press, 2001), 124.

25. Ibid., 155.

26. Wilhelm Röpke, "South Africa: An Attempt at a Positive Appraisal," *Schweizer Monatshefte* 44, no. 2 (May 1964): 8. The article was published originally as "Südafrika: Versuch einer Würdigung," *Schweizer Monatshefte* 44, no. 2 (1964): 97–112. The citations follow the reprint published in English translation by the Information Service of South Africa, also in 1964. Röpke published a shorter article with similar sentiments the year before. See Wilhelm Röpke, "Wege und Irrwege der Apartheid," *Frankfurter Allgemeine Zeitung,* October 18, 1963.

27. Röpke, "South Africa," 3.

28. Ibid.

29. Ibid., 10. Röpke's use of quotation marks around these terms suggests his skepticism about their validity as categories.

30. Wilhelm Röpke, "Conceptions and Misconceptions of Apartheid," *Africa Institute Bulletin* 4, no. 1 (1964): 25. This is a translation of Röpke, "Wege und Irrwege der Apartheid."

31. Röpke, "South Africa," 13.

32. In one of the few references to racial difference, Röpke ended a chapter in a book published first in 1942 with an empathetic anecdote about an African American man traveling in Germany. Wilhelm Röpke, *The Social Crisis of Our Time* (Chicago: University of Chicago Press, 1950), 194.

33. Röpke, "South Africa," 15.

34. Hunold to Röpke, August 15, 1964, Röpke Archive, Institute for Economic Research, Cologne (hereafter cited as RA), file 22, p. 259.

35. Röpke to Hunold, August 28, 1965, RA, file 23, p. 313.

36. Afrikaans-Deutsche Kulturgemeinschaft, "Wenn die Nashörner stampfen: Deutscher Jurist über den Alexander-Prozess," ADK-Botschaft, January 1964, RA, Panzerschrank, p. 596.

37. On his partnership with the *NZZ,* see Hennecke, *Wilhelm Röpke,* 129.

38. "Zur Diskussion über den Afrika-Vortragszyklus," *Neue Zürcher Zeitung,* July 21, 1964.

39. Röpke to Hunold, January 16, 1965, RA, file 22, p. 203.

40. For Röpke's letter of defense, see Röpke to Eberhard Ernst Reinhardt, August 18, 1964, RA, Panzerschrank, correspondence 1, p. 615. See Wahrhold Drascher, *Die Vorherrschaft der Weissen*

Rasse: Die Ausbreitung des abendländischen Lebensbreiches auf die überseeischen Erdteile (Stuttgart: Deutsche Verlags-Anstalt, 1936); Wahrhold Drascher, *Schuld der Weißen? Die Spätzeit des Kolonialismus* (Tübingen: Verlag Fritz Schlichtenmeyer, 1960). On the continuity and difference in Drascher's categories before and after 1945, see Katrina Hagen, "Internationalism in Cold War Germany" (PhD diss., University of Washington, Seattle, 2008), 65–71.

41. Drascher to Röpke, May 15, 1964, RA, Panzerschrank, correspondence 1, p. 584.

42. Hunold to Röpke, October 3, 1965, RA, file 23, p. 304.

43. The primary context for the U.S. New Right was domestic. Nancy MacLean has argued that "defense of white rule in the South" was a "unifying force" among the diverse strains of the conservative movement. Nancy MacLean, "Neo-Confederacy versus the New Deal: The Regional Utopia of the Modern American Right," in *The Myth of Southern Exceptionalism,* ed. Matthew D. Lassiter and Joseph Crespino (New York: Oxford University Press, 2009), 313–315.

44. Buckley's intimacy with Röpke contrasted with his relationship to Hayek, who was skeptical about the *National Review* position. Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, MA: Harvard University Press, 2012), 138–140.

45. Buckley to Röpke, April 25, 1956, RA, DVD 11, p. 460.

46. Kirk's biographer notes that Kirk "frequently praised" Röpke while he "rejected the moral isolation inherent in Mises' social philosophy." W. Wesley McDonald, *Russell Kirk and the Age of Ideology* (Columbia: University of Missouri Press, 2004), 168; Kirk to Röpke, February 14, 1955, RA, DVD 2, p. 150.

47. Lawrence Fertig to Röpke, January13, 1965, RA, file 22, p. 96.

48. Brandt to Röpke, December 8, 1964, RA, file 22, p. 31.

49. Bill [Buckley] to Röpke, February 25 [1963], RA, file 21, p. 576. Given the timing, the article was almost certainly Buckley's report of his government-funded trip to South Africa. William F. Buckley, "South African Fortnight," *National Review,* January 15, 1963.

50. Sally, *Classical Liberalism and International Economic Order,* 74, 158.

51. Ibid., 139.

52. Wilhelm Röpke, *International Order and Economic Integration* (Dordrecht: D. Reidel, 1959), 3.

53. See Matthew Connelly, "Taking Off the Cold War Lens: Visions of North–South Conflict during the Algerian War for Independence," *American Historical Review* 105, no. 3 (2000): 753–769.

54. Röpke, *International Order and Economic Integration,* 22.

55. Ibid., 45.

56. Helge Peukert, *Das sozialökonomische Werk Wilhelm Röpkes,* vol. 1 (Frankfurt am Main: Peter Lang, 1992), 86.

57. Bernhard Walpen, *Die offenen Feinde und ihre Gesellschaft: Eine hegemonietheoretische Studie zur Mont Pelerin Society* (Hamburg: VSA-Verlag, 2004), 278.

58. On Röpke's critique of the welfare state, see Keith Tribe, *Strategies of Economic Order: German Economic Discourse, 1750–1950* (New York: Cambridge University Press, 1995), 240.

59. Röpke, *International Order and Economic Integration,* 51.

60. Ibid., 49

61. Ibid., 54.

62. It is notable that Röpke attempted to found a journal with the name *Occident* in 1944. Walpen, *Die offenen Feinde,* 99.

63. See Duncan Bell, "Project for a New Anglo Century: Race, Space and Global Order," in *Anglo-America and Its Discontents: Civilizational Identities beyond West and East,* ed. Peter J. Katzenstein, 33–55 (New York: Routledge, 2012); Clarence K. Streit, *Union Now: A Proposal for a Federal Union of the Democracies of the North Atlantic* (New York: Harper and Bros., 1939); Valérie

Aubourg, Gérard Bossuat, and Giles Scott-Smith, eds., *European Community, Atlantic Community?* (Paris: Éditions Soleb, 2008).

64. Rachel S. Turner, *Neo-liberal Ideology: History, Concepts and Policies* (Edinburgh: Edinburgh University Press, 2008), 88–89.

65. Anthony James Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918–1963* (New York: Oxford University Press, 1994), 341–347.

66. Milene Wegmann, *Früher Neoliberalismus und Europäische Integration: Interdependenz der nationalen, supranationalen und internationalen Ordnung von Wirtschaft und Gesellschaft (1932–1965)* (Baden-Baden: Nomos, 2002), 326.

67. Wilhelm Röpke, "Südafrika in der Weltwirtschaft und Weltpolitik," in *Afrika und seine Probleme,* ed. Albert Hunold (Zurich: Eugen Rentsch Verlag, 1965), 130.

68. Ibid., 129. The work cited was Nathaniel Weyl and Stefan Possony, *The Geography of Intellect* (Chicago: Henry Regnery, 1963), 288. For further quotes see Robert Vitalis, *White World Order, Black Power Politics* (Ithaca, NY: Cornell University Press, 2015), 152.

69. Sally, *Classical Liberalism and International Economic Order,* 139.

70. Wilhelm Röpke, "The Malady of Progressivism," *The Freeman,* July 30, 1951, 690.

71. Josef Mooser, "Liberalismus und Gesellschaft nach 1945: Soziale Marktwirtschaft und Neoliberalismus am Beispiel von Wilhelm Röpke," in *Bürgertum nach 1945,* ed. Manfred Hettling and Bernd Ulrich (Hamburg: Hamburger Edition, 2005), 152.

72. On the varieties of planning, see Tony Judt, *Postwar: A History of Europe since 1945* (New York: Penguin, 2005), 69–71.

73. 1950 Cong. Rec. 0503, May 3, 1950, p. 6222. The quote was repeated in a 1957 study sponsored by seventeen congressmen and published in the national magazine of the Chamber of Commerce: "Adverse Effects of Expanding Government," *Nation's Business* 45, no. 9 (September 1957): 39–94, at 89.

74. Quoted in Wegmann, *Früher Neoliberalismus,* 317.

75. Röpke, *The Economics of Full Employment;* J. F. J. Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 93.

76. Röpke, *The Economics of Full Employment,* 5, 31.

77. Wilhelm Röpke, "Washington's Economics: A German Scholar Sees Nation Moving into Fiscal Socialism," *Wall Street Journal,* April 1, 1963.

78. Röpke, "Die unentwickelten Länder," 15, 59. Myrdal was often singled out for special criticism by neoliberal critics of development aid like Peter T. Bauer and Fritz W. Meyer. See Plehwe, "Origins of the Neoliberal Economic Development Discourse," 262–264; Fritz W. Meyer, "Entwicklungshilfe und Wirtschaftsordnung," *Ordo,* no. 12 (1960 / 1961): 279–280. On Myrdal, see William J. Barber, *Gunnar Myrdal: An Intellectual Biography* (New York: Palgrave Macmillan, 2008); Andrés Rivarola Puntigliano and Örjan Appelqvist, "Prebisch and Myrdal: Development Economics in the Core and on the Periphery," *Journal of Global History* 6, no. 1 (2011): 29–52.

79. Röpke, "Washington's Economics."

80. Toye and Toye, *The UN and Global Political Economy,* 108.

81. Wilhelm Röpke, "The Free West," in *Freedom and Serfdom: An Anthology of Western Thought,* ed. Albert Hunold (Dordrecht: D. Reidel, 1961), 76.

82. Röpke, "Unentwickelte Länder," 89.

83. Wilhelm Röpke, "Die Nationalökonomie des 'New Frontier,' " *Ordo* 9 (1963): 106.

84. Ibid.

85. Plehwe, "Origins of the Neoliberal Economic Development Discourse," 249.

86. Sally, *Classical Liberalism and International Economic Order,* 132.

87. Kristin Ross, *Fast Cars, Clean Bodies: Decolonization and the Reordering of French Culture* (Cambridge, MA: MIT Press, 1995), 10.

88. Patrick Boarman to Röpke, April 12, 1963, RA, file 21, p. 598. The congressional representatives were Steven B. Derounian (New York), Bruce Alger (Texas), Thomas B. Curtis (Missouri), and Bob Wilson (California). *Congressional Record* 1963-0401, April 1, 1963, 88-1, A1867, A1879, 5207; *Congressional Record* 1963-0422, April 22, 1963, A2339.

89. Bruce Alger (Texas), *Congressional Record* 1963-040, A1879.

90. Thomas B. Curtis (Missouri) in ibid., 5208. Curtis was one of the leaders of the "Young Turk" group of moderate Republicans in the late 1950s and early 1960s. His defense of free trade separated him from many entrenched members of the GOP. Geoffrey M. Kabaservice, *Rule and Ruin: The Downfall of Moderation and the Destruction of the Republican Party, from Eisenhower to the Tea Party* (New York: Oxford University Press, 2012), 55.

91. Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W. W. Norton, 2009), 56–58.

92. Rick Perlstein, *Before the Storm: Barry Goldwater and the Unmaking of the American Consensus* (New York: Hill and Wang, 2001), 33.

93. Röpke to Paul Wilhelm Wenger, August 5, 1964, RA, file 89, p. 568.

94. Phillips-Fein, *Invisible Hands,* 57, 59. Kim Phillips-Fein, "Business Conservatives and the Mont Pèlerin Society," in Mirowski and Plehwe, *The Road from Mont Pèlerin,* 292.

95. See George H. Nash, *The Conservative Intellectual Movement in America since 1945* (Wilmington, DE: ISI Books, 2006), 69; Sarias Rodríguez, " 'We Are All Europeans,' " 213; Christopher S. Allen, "The Underdevelopment of Keynesianism in the Federal Republic of Germany," in *The Political Power of Economic Ideas: Keynesianism across Nations,* ed. Peter A. Hall (Princeton, NJ: Princeton University Press, 1989); Fabio Masini, "Luigi Einaudi and the Making of the Neoliberal Project," *History of Economic Thought and Policy* 1, no. 1 (2012): 39–59.

96. William F. Buckley, "Buckley Supports DeGaulle's Views," *Boston Globe,* February 17, 1963.

97. William Henry Chamberlin, "A Powerful Argument for a Free Economy," *Wall Street Journal,* April 15, 1963.

98. On Röpke's privileging of the external liberalization policies of Switzerland and West Germany, see Sally, *Classical Liberalism and International Economic Order,* 140.

99. William R. Van Gemert, "Letter to the Editor," *Wall Street Journal,* April 22, 1963.

100. *Rundt's Weekly Intelligence: A Service to Exporters, Bankers and Overseas Investors,* April 30, 1963, RA, "Vorträge" binder.

101. Edwin McDowell, "A Mountain Where Thinkers Dwell," *Wall Street Journal,* September 20, 1972.

102. Wilhelm Röpke, "Amerikanische Intellektuelle von Europa gesehen," *Deutsche Rundschau,* February 1957, 137.

103. Ibid., 138.

104. Nash, *The Conservative Intellectual Movement,* 58–59, 69–70.

105. Röpke, "Amerikanische Intellektuelle von Europa gesehen," 139.

106. In one example of many, he recorded a piece for a program that U.S. Steel was broadcasting on Ivy League college radio stations. C. M. Underhill, Memo, U.S. Steel to Röpke, September 29, 1961, RA, file 88, p. 576.

107. Röpke to Fred Clark, September 22, 1962, RA, file 20, p. 50.

108. T. R. B., "The Fair," *New Republic,* September 25, 1965, 4.

109. Röpke's biographer refers to him as "the oracle in Geneva." Hennecke, *Wilhelm Röpke,* 182.

110. Ricardo A. Ball, Harvard University, to Röpke, December 8, 1961, RA, file 20, p. 37.

111. “Book Shelf: Anatomy of the Welfare State,” *Pittsburgh Courier,* January 2, 1965; Chamberlin, “A Powerful Argument.”

112. Internationale Bank für Wiederaufbau und Entwicklung, memo, April 20, 1960, Political Archive of the West German Foreign Office, B 61-411, vol. 128.

113. Christopher S. Allen, “ ‘Ordo-Liberalism’ Trumps Keynesianism: Economic Policy in the Federal Republic of Germany and the EU,” in *Monetary Union in Crisis: The European Union as a Neo-Liberal Construction,* ed. Bernard H. Moss, 199–221 (New York: Palgrave Macmillan, 2005).

114. Alexander Nützenadel, *Stunde der Ökonomen: Wissenschaft, Politik und Expertenkultur in der Bundesrepublik, 1949–1974* (Göttingen: Vandenhoeck und Ruprecht, 2005), 12; Michael A. Bernstein, *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America* (Princeton, NJ: Princeton University Press, 2001), chaps. 5–6.

115. Hennecke, *Wilhelm Röpke,* 219. For further details on Röpke in Latin America, see Solchany, *Wilhelm Röpke,* 383–390.

116. Röpke to Velasco, November 18, 1963, RA, file 21, p. 69. On Velasco’s activities with the MPS, see Plehwe, “Origins of the Neoliberal Economic Development Discourse,” 244.

117. Zuloaga to Röpke, May 9, 1963, RA, file 89, p. 318.

118. Hunold to Röpke, April 2, 1962, RA, file 20, p. 230.

119. Röpke to Karl Brandt, April 26, 1963, RA, file 21, p. 597. Beyond personality frictions, the conflict stemmed from Hunold and Röpke having a more apocalyptic diagnosis of geopolitics, a preference for greater MPS publicity, and a desire to exert more stringent control over its membership. For details, see Walpen, *Die offenen Feinde,* 145–151.

120. Hunold to Röpke, March 20, 1964, RA, file 22, p. 298.

121. Hunold to Röpke, January 1, 1965, RA, file 22, p. 206; Hunold to Röpke, January 5, 1965, RA, file 22, p. 205; Jesús Arboleya, *The Cuban Counterrevolution* (Athens: Ohio University Center for International Studies, 2000), 41.

122. Hunold to Röpke, November 13, 1962, RA, file 20, p. 178.

123. Juan Gabriel Valdés, *Pinochet’s Economists: The Chicago School in Chile* (New York: Cambridge University Press, 1995), 224–225.

124. Kirk to Röpke, March 19, 1963, RA, file 21, p. 649.

125. Ibid.; Hunold to Röpke, January 1, 1965, RA, file 22, p. 206.

126. Röpke to Kirk, February 14, 1963, RA, file 21, p. 269.

127. Sinistrized is a neologism by which Röpke meant turned to the left. Röpke to Hunold, August 18, 1962, RA, file 20, p. 220.

128. Röpke to Karl Brandt, April 26, 1963, RA, file 21, p. 597; Röpke to Hunold, April 30. 1959, RA, file 18, p. 230; Röpke to Schoeck, November 17, 1958, RA, file 18, p. 623.

129. Röpke to Karl Mönch, October 18, 1961, RA, file 20, p. 397.

130. Röpke to Willi Bretscher, November 3, 1962, RA, file 89, p. 148.

131. Hunold to Röpke, March 20, 1964, RA, file 22, p. 298. On Goodrich’s role in financing MPS meetings, see Phillips-Fein, *Invisible Hands,* 48–51.

132. Hennecke, *Wilhelm Röpke,* 224.

133. Kirk to Röpke, March 19, 1963, RA, file 21, p. 649.

134. For his resignation letter, see Brandt to Members of the MPS, January 8, 1962, Machlup Papers, box 279.

135. Brandt to Röpke, December 8, 1964, RA, file 22, p. 30.

136. Walpen, *Die offenen Feinde,* 108.

137. Burgin, *The Great Persuasion,* 146.

138. Hunold to Röpke, January 1, 1965, RA, file 22, p. 206.

139. Ibid., 145.

140. Röpke used the expression in a letter to Alexander Rüstow. Quoted in Philip Plickert, *Wandlungen des Neoliberalismus: Eine Studie zu Entwicklung und Ausstrahlung der "Mont Pelerin Society"* (Stuttgart: Lucius und Lucius, 2008), 189.

141. On Spiritual Mobilization, see Phillips-Fein, *Invisible Hands,* 71–74.

142. Hunold to Röpke, March 20, 1964, RA, file 22, p. 298.

143. Wilhelm Röpke, *Against the Tide* (Chicago: H. Regnery Co., 1969).

144. Nicholls suggests that Röpke shifted to the right in the 1950s, a conclusion this chapter would support. Nicholls, *Freedom with Responsibility,* 324.

145. William F. Buckley, "Why the South Must Prevail," *National Review,* August 24, 1957, 149. Such blunt statements were rare. In general, the language of states' rights and federalism served as an identifiable code in conservative publications like the *National Review* and *Modern Age* for opposition to the realization of political equality. Joseph E. Lowndes, *From the New Deal to the New Right: Race and the Southern Origins of Modern Conservatism* (New Haven, CT: Yale University Press, 2008), 50.

146. Buckley, "Why the South Must Prevail," 149; emphasis added. For an exception, see Rodríguez, " 'We Are All Europeans,' " 220–221.

147. Allan J. Lichtman, *White Protestant Nation: The Rise of the American Conservative Movement* (New York: Atlantic Monthly Press, 2008), 227.

148. Röpke to Hunold, June 27, 1963, RA, file 21, p. 354. He was referring in particular to David Abner Morse, the chief of the U.S. delegation to the International Labor Conference. On Morse and the "South Africa crisis" of 1963, to which Röpke was surely alluding, see Daniel Maul, *Human Rights, Development, and Decolonization: The International Labour Organization, 1940–70* (New York: Palgrave Macmillan, 2012), 236–245.

149. Sara Diamond, *Roads to Dominion: Right-Wing Movements and Political Power in the United States* (New York: Guilford Press, 1995), 118, 346.

150. *Congressional Record* 1967-0322, March 22, 1967, 7710.

151. *Congressional Record* 1967-0322, March 22, 1967, 7711.

152. Wilhelm Röpke, "The Place of the Nation," *Modern Age* 10, no. 2 (Spring 1966): 121. For an earlier version of this argument, see Röpke, "Unentwickelte Länder," 103.

153. Röpke, "Die unentwickelten Länder," 50.

154. Röpke to Hunold, November 15, 1965, RA, file 23, p. 300.

155. Hunold to Röpke, January 4, 1966, RA, file 23, p. 104.

156. Hunold to Röpke. October 3, 1965, RA, file 23, p. 304.

157. Hunold to Röpke, November 17, 1965, RA, file 23, p. 20.

158. Schoeck to Röpke, December 16, 1964, RA, file 23, p. 551.

159. See Ludwig Mises, *Human Action: A Treatise on Economics* (1949) (Auburn, AL: Ludwig Von Mises Institute, 1998), 37; Nash, *The Conservative Intellectual Movement,* 148. One should note that Mises and Hayek both expressed reservations about immigration, for reasons of not biological racism but the social friction produced by racialized resentment. Mises wrote in 1944 that "there are few white men who would not shudder at the picture of many millions of black or yellow people living in their own countries." Ludwig Mises, *Omnipotent Government: The Rise of the Total State and Total War* (New Haven, CT: Yale University Press, 1944), 107. Hayek expressed approval of Margaret Thatcher's restrictive immigration policy in a series of articles and letters in *The Times* (London). See F. A. Hayek, "The Politics of Race and Immigration," *The Times,* February 11, 1978; Hayek, "Origins of Racialism," *The Times,* March 1, 1978; Hayek, "Integrating Immigrants," *The Times,* March 9, 1978.

160. Some prominent neoliberals did suggest links, however, between climate, cultural characteristics, and economic underdevelopment. Bauer suggested a "connection between climate

and material backwardness." Peter T. Bauer, "Development Economics: The Spurious Consensus and Its Background," in Streissler, *Roads to Freedom,* 30. In 1960 Louis Rougier explained "the differences in development by the differences in mentality," citing "Arab fatalism" and the "magical pre-logical mentality" of indigenous people in Central Africa and Australasia. Quoted in Solchany, *Wilhelm Röpke, l'autre Hayek,* 381, and see also Frederick C. Benham on climate and cultural work ethic, quoted at 380.

161. "New Books and Articles," *New Individualist Review* 3, no. 3 (1964): 47.

162. For details, see "Autobiography Copy 2," August 10, 1984, William H. Hutt Papers, Hoover Institution Archives, Stanford University (hereafter cited as Hutt Papers), box 11.

163. See, for instance, P. T. Bauer and B. S. Yamey, "Against the New Economic Order," *Commentary,* April 1, 1977.

164. "Autobiography Copy 2."

165. Hutt received permission from Friedman to include a page-long quotation from *Capitalism and Freedom* in the introduction to his book. Friedman to Hutt, July 16, 1963, Hutt Papers, box 40.

166. Peter Lewin, "William Hutt and the Economics of Apartheid," *Constitutional Political Economy* 11 (2000): 255.

167. Ibid., 257. On the unacknowledged similarities between Hutt's argument and parallel discussions of public choice, see Ben Jackson, "Hayek, Hutt and the Trade Unions," in *Hayek: A Collaborative Biography; Part V: Hayek's Great Society of Free Men,* ed. Robert Leeson (Houndmills, UK: Palgrave Macmillan, 2015), 169.

168. Hutt, *The Economics of the Color Bar,* 27.

169. J. Enoch Powell, "How Money Works for Integration," *The Sunday Times* (London), June 14, 1964.

170. Hutt, *The Economics of the Color Bar,* 173.

171. Ibid., 115.

172. Ibid., 178; emphasis in the original.

173. Ibid., 180.

174. Buckley, "South African Fortnight."

175. "Apartheid in South Africa and Its Foreign Critics" undated [1963], Hutt Papers, box 31.

176. Ibid.

177. Hutt to editor, *Cape Times,* January 18, 1957, Hutt Papers, box 14.

178. "Apartheid in South Africa and Its Foreign Critics."

179. Hayek, *The Constitution of Liberty,* 63.

180. Ibid., 64.

181. Submitted as an attachment by Hutt to Victor Norton, editor, *Cape Times,* October 2, 1961, Hutt Papers, box 14.

182. W. H. Hutt, "The Abuse of Parliamentary Majority in Multi-Racial Society," Hutt Papers, box 14.

183. Ibid.

184. W. H. Hutt, " 'Fragile' Constitutions," *New Individualist Review* 4, no. 3 (Spring 1966): 48.

185. Ibid.

186. Hutt to Smith, October 28, 1964, Hutt Papers, box 14.

187. Hutt to Smith, October 12, 1965, Hutt Papers, box 14.

188. W. H. Hutt, "The Rhodesian Calumny," *New Individualist Review* 5, no. 1 (Winter 1968): 3, 12.

189. Hutt to Reagan, March 9, 1977, Hutt Papers, box 14; Hutt to Carter, March 1, 1977, Hutt Papers, box 14.

190. Sean Wilentz, *The Age of Reagan: A History, 1974–2008* (New York: HarperCollins, 2008), 103.

191. Hutt to Owen Horwood, September 20, 1978, Hutt Papers, box 14.

192. Hutt to R. F. Botha, March 9, 1983, Hutt Papers, box 14.

193. Hutt to Owen Horwood, September 20, 1978.

194. It is worth noting that Fritz Machlup resisted pressure as the president of the International Economic Association to take an official stance on apartheid in 1971 with the argument that "we must stay out of ideological or political controversies." Machlup to Luc Fauvel, December 22, 1971, Machlup Papers, box 291.

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200. Borstelmann, *The Cold War,* 256; Brenda Gayle Plummer, "Race and the Cold War," in *The Oxford Handbook of the Cold War,* ed. Richard H. Immerman and Petra Goedde (Oxford: Oxford University Press, 2013), 517; American-Rhodesian Association invitation, October 13, 1978, Davenport Papers, box 28.

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202. John A. Davenport, "The Anti-apartheid Threat," *The Freeman,* August 1985, 454.

203. Patrick J. Buchanan, White House, to Davenport. August 28, 1985, Davenport Papers, box 28.

204. Milton Friedman, "Rhodesia," *Newsweek,* 3 May 1976, 77. The article was published verbatim the day before in the *Sunday Times.* See reprint, Milton Friedman, "Suicide of the West," in *Friedman in South Africa,* ed. Meyer Feldberg, Kate Jowell, and Stephen Mulholland (Cape Town: Graduate School of Business, 1976), 58–60. For the second article, see Milton Friedman, "Economic Sanctions," *Newsweek,* January 21, 1980.

205. Friedman, "Rhodesia," 77.

206. Friedman, "The Fragility of Freedom," 7.

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208. Friedman, "The Fragility of Freedom," 9.

209. Friedman, "The Milton Friedman View," in *Friedman in South Africa,* ed. Meyer Feldberg, Kate Jowell, and Stephen Mulholland (Cape Town: Graduate School of Business, 1976), 49.

210. Friedman, "Rhodesia," 77.

211. Friedman, "Economic Sanctions."

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Pinochet," in Mirowski and Plehwe, *The Road from Mont Pèlerin,* 305–346. On the influence of James Buchanan on the Chilean constitution, see Nancy MacLean, *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America* (New York: Viking, 2017), chap. 10.

213. Hayek, "Internationaler Rufmord," 45. He returned to the criticism in an interview a few years later when he complained of the use of human rights talk to intervene in other countries' policies. "People in South Africa have to deal with their own problems," he wrote, "and the idea that you can use external pressure to change people, who after all have built up a civilization of a kind, seems to me morally a very doubtful belief." "Nobel-Prize Winning Economist," oral history interview with F. A. Hayek, Oral History Program, UCLA, 1983, 439, https://archive.org/details/nobelprizewinnin00haye. Caldwell and Montes state correctly that Hayek's emphasis in this article on "the importance of following general rules" is consistent with his broader oeuvre. Caldwell and Montes, "Friedrich Hayek and His Visits to Chile," 283.

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6. A WORLD OF CONSTITUTIONS

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CONCLUSION

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88. Brown, *Undoing the Demos.*

Acknowledgments

This book is a long-simmering product of the Seattle protests against the World Trade Organization in 1999. I was part of a generation that came of age after the Cold War's end. We became adolescents in the midst of talk of globalization and the End of History. In the more hyperactive iterations of this talk, we were made to think that nations were over and the one indisputable bond uniting humanity was the global economy. Seattle was a moment when we started to make collective sense of what was going on and take back the story line. I did not make the trip north from Portland but many of my friends and acquaintances did, painting giant papier-mâché fists red to strap to backpacks and coming back with tales of zip ties and pepper spray, nights in jail, and encounters with police—tales they spun into war stories and theses. This book is an apology for not being there and an attempt to rediscover in words what the concept was that they went there to fight.

I owe debts of gratitude to the many conversation partners, friends, and collaborators who have accompanied me on this inquiry to its present point, frozen now in book form. With apologies to anyone I have forgotten, my heartfelt thanks go to: Hadji Bakara, Bruce Caldwell, Frederick Cooper, Andrew Daily, Rüdiger Graf, Eric Helleiner, Ryan Jeffery, David Kool, Leigh Claire La Berge, Boaz Levin, Molly Lynch, Owen Lyons, Ian Malcolm, James Mark, Jamie Martin, Malgorzata Mazurek, Philip Mirowski, Craig Murphy, Molly Nolan, Subodh Patil, Dieter Plehwe, Ryan Quintana, Glenda Sluga, and Heidi Tworek. Love also to my family, especially my Baba, Stella Deloris Edgar, who passed as this book was being written and would have been tickled to see her name in print. My last thanks go to the most important people in my life, Michelle and Yann, who took his first steps earlier this morning. May he take many more.

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